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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2160



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LABOR REPLACEMENT, REALLOCATION DISCUSSED

Prague SVET HOSPODARSTVI in Czech 23 Apr 81 supplement pp 1-4

[Article by Eng Milos Pick, Federal Ministry of Labor and Social Affairs: "On Replacement and Distribution of Manpower"; passages enclosed in slantlines printed in bold face]

[Text] /Improvement of the planned management system for the replacement and distribution of manpower in the national economy of the CSSR is an integral part of the Set of Measures for Improving the Planned Management System of National Economy and must therefore be oriented toward implementation of its key objectives and base its approach on its concepts and key principles. At the same time it must become an instrument for dealing with its own problems in replacement and distribution of manpower./

The Set of Measures is based primarily on utilization of extensive growth factors and is therefore to promote more effectively than was heretofore the case a transition of the national economy to /intensive development and its stepped up efficiency/. The objective is improved efficiency of planning, particularly by reinforcing its goal-oriented program approach, its anticipatory orientation and balanced distribution, further development of khozraschet, implementation of a more effective utilization of economic means for promoting efficiency and quality.

/The problems attendant to the manpower sector/ are characterized primarily by debilitation of extensive growth factors and the necessity for orienting further development almost exclusively toward intensive factors.

The high degree of employment of people capable of work (over 90 percent) may have already exceeded the optimum limit (with essentially full employment of women). Therefore further extensive increases in employment will be formed primarily only by increments in population growth. In the course of the Seventh Five-Year Plan the increment in the number of workers will amount to approximately 0.3 percent annually.

/Thus, the key prerequisite is a more effective utilization of manpower/ and continuously increasing labor productivity. In spite of the relatively fast growth in labor productivity to date (for the past 30 years the national income per

worker in the production sphere showed an annual increase of approximately 4.3 percent, i.e., an overall increase of approximately 3.5 times), there still remains a great unused potential and long-term possibilities for continued growth.

The greatest source of unused reserves is the ineffective structure for production--only approximately 5 percent of workers in the production sphere are engaged in sectors on a par with the worldwide level of productivity of social labor; an annual increase of approximately 1 percent in this share (roughly to 20 percent over 15-20 years) would in essence lead to matching the worldwide level. Inadequate utilitarian features of our products (lower by approximately 20-25 percent in assessment at some foreign markets) are affected by a lagging intensive innovation of products and their extremely limited assortment. The lagging intensity of technological progress leading to substituting technology for manpower is--in spite of considerable growth in providing long-term production assets in the form of machinery (6.2 percent annually, i.e., 6 times in 30 years)--characterized by a high share of manual labor by workers (some 57 percent in industry) with slow replacement and low level of utilization of available machinery. High losses are also incurred in utilization of the working time of manpower and machinery during the course of a shift (at least 15-20 percent in the industry, even more in construction).

More effective utilization of manpower, /higher productivity of social labor is and shall remain the key approach to dealing with manpower problems in our economy./

More effective management and, particularly, more effective utilization of manpower and improvements in the current trend of development of development--together with a realistic concept of development--must be abetted by a more effective system for managing replacement and distribution of manpower.

I. Balancing Demands for Manpower and Its Sources

For a long time, we have been encountering a considerable imbalance between the demand for manpower and its sources that gives the outward appearance of a shortage of manpower but is in reality caused primarily by its utilization, the efficiency of which leaves much to be desired. However, balance between demand and resources in itself constitutes herein one of the key factors in effective utilization of manpower. An imbalance which would disproportionately reduce the demand for manpower and lead to a failure to utilize manpower resources, i.e., unemployment, a routine occurrence under capitalism, would also constitute an inefficient waste of social labor and, as such, it cannot serve as our goal. However, even the current imbalance bordering on overemployment leads toward inefficiency, not only by incorporating into the work process less effective sources of manpower, but also by encouraging "enticement" of manpower from other plants with all the accompanying negative consequences: sapping of work moral and discipline, excessive fluctuation and difficulties in allocation of manpower to key sectors and branches.

In our system of planned management, suppression of excessive demands for manpower and striking a balance between these demands and manpower resources is accomplished primarily by available tools of direct administrative regulation. This regulation takes the form of a two-pronged approach--on the one hand, the plan allocates to individual organizations an obligatory quota of personnel and, on the other hand,

meeting of this allocated quota is regulated by national committees through granting approval for manpower recruitment. This provides control not only over the resultant number, but also over manpower mobility.

Nevertheless, this form of administrative control has also its negative side. In particular, it creates a pressure on organizations to rely on a "soft approach" in planning the number of personnel and increasing their number in the plan, and this number forms the base for assessment of effected savings. In addition, the flexibility of this approach is limited at best, particularly during unforeseen changes in production or, in some cases, intentional substitution of production factors (if savings of long-term assets prove more effective than those of manpower).

Of particular interest are, e.g., some of the initial positive findings made by the Hungarian People's Republic with indirect means for control of the number of personnel by economic stimuli, or by hard economic pressure on effective management of manpower and its savings. Efforts in this direction are also underway in our country to add depth to some elements of stimulation. Making such stimulation more effective could in the long-run lead to providing more flexibility in dealing with this problem. In this orientation, the Set of Measures for Improving the Planned Management System can be regarded as open. However, until there is a guarantee of sufficiently intensive effectiveness of these indirect means, no consideration can be given to blunting the effectiveness of the direct means.

The still envisioned adaptations of the planned management system of the national economy and the state of preparations for the Seventh Five-Year Plan offer no justification for overestimating the possibility of a more substantial relaxation of the strained situation in manpower in the near future. There will be a slowdown in the growth of material production due to other reasons (in view of energy and material or importation limitations), but resources for growth in labor productivity will be better utilized primarily by allocations of manpower for accelerated development of effective developmental sectors, in particular those oriented to exports, and the tertiary sector which still is underdimensioned.

An attempt to overcome the imbalance between demand and manpower resources by only indirect economic tools would additionally call for substantially higher flexibility of other control tools, particularly wages and prices--with all the attendant economic and social consequences.

For that reason, the basic tool for regulating the number of personnel during the course of the Seventh Five-Year Plan will remain the state plan, which will specify the /obligatory limits on the number of personnel which cannot be exceeded/ for essentially all organizations with the exception of JZD [Unified Agricultural Cooperatives] where the number of personnel will continue to be regulated in the form of binding agreements. And additionally, for the first time--in view of the continuing excessive growth--regulation of the overall number of personnel will apply also to the number of technical and administrative personnel by specifying an obligatory share of the latter. In addition, national committees will retain control over manpower recruitment by organizations.

In keeping with the overall principles of the Set of Measures, at least partial changes are anticipated in the following approaches:

1. While to this date the obligatory limits on the number of personnel have been determined by the yearly plan (the five-year plan being used merely for orientational purposes), now /the focus of this obligatory nature is to accure to the five-year plan/ and the yearly plan will provide merely more accurate detailing. Should the specified tolerance limits be exceeded, it should be reassessed for the applicable level of management with, if need be, complex changes in the five-year plan (to include standards of the system of incentives). In this manner, units of plant management will be afforded the possibility for preserving the stability of economic conditions and a system of incentives.

2. Despite the mentioned retention of the principle of the obligatory nature of the planned number of personnel that may not be exceeded, there is expected at least a partial /increase in the role of economic production units [VHJ] also in manpower management./ Meeting of limits in the number of personnel will not be subject to separate assessment for each organizational unit, but will be made collectively for all organizations of the appropriate VHJ on a district basis. This substantially expands the possibilities for operational implementation of the plan by economic production units within districts. It is envisioned in this context that varying manpower situation with a district could, as a rule, be balanced by daily commuting to work.

However, commuting over longer distances usually constitutes an unwanted imposition on personnel, and for that reason transfers of manpower between districts are largely connected with migration of the populace and encounter a series of barriers that in our conditions limit greater mobility of manpower. Consequently, for the time being, efforts will be developed on a very limited scale to facilitate compensation of exceeding these limits by a failure to meet them also between districts on a regional basis—in the case of the collective organizations of the appropriate VHJ with up to 1,000 personnel within the district by five persons, from 1,001 to 5,000 personnel by 10 persons and over 5,000 personnel by 0.2 percent. The mentioned minimal balancing of plan implementation between districts within a region, while not allowing for major unplanned distribution of employment opportunities by VHJ between districts, it could at least bring about a reduction in permanent minor modivications of the plan between districts, modifications which provide a considerable administrative drain on VHJ and KNV (Regional National Committees). The key conceptual role in distribution and concentration of work opportunities or of the production base among districts within a region must come to the fore already at the preparation stage of the plan, particularly of a long-term plan.

3. /Simplification is also expected in control of recruitment/ of manpower by granting permits for an entire year instead of for a quarter.

From what has been said, it is obvious that for the time being only minor adaptations are anticipated in these basic tools of employment control.

II. Implementation of Structural Changes in Employment

Effective, targeted structural changes must in the long range become one of the decisive factors in increasing performance in exports and intensification of our economy and, thus, a way out for solving the current difficulties.

These structural changes--at the mentioned low rate in growth of overall employment--cannot, however, be implemented by imbalanced distribution of increments in manpower, but, first of all, by reallocation of the current work force from declining into developing sectors and branches.

At the same time, structural and regional changes in employment cannot be implemented independently of other key trends in manpower mobility, particularly those due to generational variation and fluctuation.

Changes in manpower structure cannot in the least be brought about merely by imbalanced distribution of the increment in the work force, but only by much more demanding and large-scale processes of vocational training and transfers of manpower, both of which have to be channeled in a goal-oriented direction. But they also must ultimately provide a stabilization of manpower. For that reason, stabilization measures will have to be implemented selectively in stages to simultaneously overcome undesirable reverse fluctuation.

Nevertheless, utilization and channeling of these processes toward purposeful implementation of structural changes has not been very effective to date. The situation persists even though a wide scale of tools is used in dealing with this task--from the plan and regulation by directive to various economic incentives and subsidies that call for annual expenditure of Kcs 5-6 billion. In addition to an entire complex of other causes--particularly inadequate use of economic pressure on effective manpower management and release of manpower from ineffective sectors--it is also due to overly dissipated utilization of preferential tools. The latter are offered without coordination to maybe one-third to one-half of the workers in the national economy. Most of them were implemented, as a rule, as a followup in dealing with bottlenecks without any long-term concept of structural and regional changes in economy and employment.

The current state in utilization of incentives shows them to be less than effective. Reallocation of manpower into priority sectors and its stabilization in them is not being implemented with the requisite effectiveness, considerable difficulties are still encountered in providing manpower for some key sectors and regions, in some of which thousands of workers are needed to meet the plan quota. In addition, this lack of concept gives rise to growing inflationary pressures for additional benefits even after disproportionate increases in current incentives.

It is, therefore, envisioned for the period of the Seventh Five-Year Plan to devise an /interlocked system of priorities and their preferential providing with manpower/, concentrating and graduating the key preferential and--eventually--penalizing instrumentalities to a limited circle of professions or categories of personnel in selected organizations. The extent of priority sectors must be substantially limited--it is estimated that these will include no more than 15 percent of workers in the national economy, i.e., two to three times less than at the present. It must be established in particular for implementation of structural and regional changes in the economy, as well as for elimination of the focal points of undesirable fluctuation. Priorities will be set for the most part by the five-year plan, but are expected to remain in force over longer periods. Their operational amendment by yearly plans should take the form of only an exception for dealing with unforeseen situations.

For preferential providing of manpower to priority sectors it will be inevitable to make use of /focused effects of not only the direct tools provided by the plan and regulation of replacement and allocation of manpower, but also of an effective, suitably graduated system of incentives for plants and personnel/ as well as other more sidely based work and social conditions. This involves primarily offering of preferences in allocation of young workers and graduates of schools, transfer of personnel from discontinued operations, allocation of stabilizing housing construction, differentiation of wage relations by means of norms regulating the formation of wage resources, in specific cases even approval of extraordinary forms of manpower recruitment, etc. Selected groups of personnel in priority organizations are even to be given subsidies, e.g., stabilizational awards and other wage incentives or housing construction subsidies by special regulations. The decisive long-term role must herein be played by allocation of youth, wage and housing construction subsidies. Extraordinary forms of recruitment are to be interpreted as only a temporary instrument.

An integral part of the system of priorities must also be /releasing of manpower from declining or streamlined sectors./ This should involve operations which have been liquidated or are in the process of relocation and be applied to a considerably higher extent than has been the case. However, at the same time, part of other operations which are not destined for liquidation but expect production growth to be slower than the potential growth of labor productivity should release part of their manpower, be it on the basis of modernization or other streamlining measures. Under the conditions of the Seventh Five-Year Plan, this should not involve only exceptional cases, but a considerable number of plants in key production sectors, including industry. This calls also, of course, for dealing with all the relevant social conditions, including making use of provisions for material support of personnel in the process of transfer according to the decree of the Federal Ministry of Labor and Social Affairs No 4/1979 of the Codex.

The conditions deciding the effectiveness of these measures are constituted, on the one hand, by substantial limitation of eligible preferred organizations and personnel and, on the other hand, designation of an adequate extent of sectors scheduled for releases of manpower.

III. Resolution of Disparity in Replacement of Qualification with Manpower Replacement

Planned management of replacement of qualification constitutes one of the most demanding tasks of planned management. In view of the relatively long cycle of preparation for acquisition of qualification--in higher learning up to 10 years following completion of compulsory school attendance--its prerequisite is a sufficiently reliable clarification of the long-term outlook relative to the development of the national economy to include replacement demand for manpower. Plans for training of qualified personnel (in vocational facilities, secondary schools and institutions of higher learning) should always be systematically interconnected--with an adequate time lead of 5-10 years--with the long-term demand for manpower replacement.

However, at the present this interconnection is inadequate and there appears to be a long-term, deepening disparity between manpower replacement and replacement of qualification.

Plans for training to acquire a qualification are sometimes based more on sources of young workers and the capacity of vocational facilities and schools than on reliable knowledge of long-term demand for personnel with the given qualification. Of course, the reasons are many. They include the low level of reliability of long-term plans for development, including planned numbers of personnel, disproportionate capacities of vocational facilities and schools, etc.

But, be the reasons what they may, the consequences are very serious. In the Seventh Five-Year Plan, once other manpower resources have been exhausted, young workers shall constitute 96 percent of the total increment of workers in the national economy. Errors in orientation of their qualificational training could then not be compensated for by other sources of labor (e.g., housewives) as used to be the case. The result is sometimes a reversed situation, when annual or even five-year plans for work force numbers must be adapted to the need for replacement of trained workers and school graduates, a situation definitely not conducive to effective utilization of manpower. The disproportionate expansion of the administrative apparatus could probably be cited as an extreme example, not the least cause of which is obviously to be seen in the disproportionate extent of preparation for selected areas of qualification. On the other hand, disparity between demand for qualification and preparation for its acquisition leads to a failure to use that qualification. On the basis of approximative calculations, it can be estimated that approximately 85,000 graduates of institutions of higher learning (15 percent) and 500,000 graduates of secondary schools (25 percent) and 1 million of trained workers (33 percent) because of work assignment fail to use their qualification. Analyses show that these problems will become even more acute in the course of the Seventh Five-Year Plan.

/Plans for training of qualified personnel are to be coordinated in the future with long-term demand for manpower replacement/ (with their so-called supplementary demand, expressing the planned increase in numbers and replacement for generational variation).

In this orientation the plan for the requisite amount of labor force will have to fulfill its long-term identification function which in the long term will keep increasing in importance even in the case of limiting its administratively regulatory function. For that reason the long-term nature of this plan is to be extended beyond the limits of the Seventh Five-Year Plan. However, long-term outlooks have not been satisfactorily mastered to the extent of providing the requisite amount of reliability and stability. Therefore, in addition to their further development, an orientational determination of labor force numbers for the Eighth Five-Year Plan is to be effected simultaneously with the Seventh Five-Year Plan. This extended long-term, 10-year orientation is indispensable not only for planning the training of qualified personnel, but also for allocation of new employment opportunities and for interlocking the incipient capital investment with realistic sources of manpower.

/The structure of the plan of training for acquisition of qualification/ must at the same time be interlinked with the requisite qualificational structure of manpower affected also by plans of structural changes (by the so-called goal-oriented programs in particular), plans of technological development and replacement of long-term assets.

/Instruments for implementing the plan for qualified personnel/, particularly the plan for allocation of young workers (specifying the extent and structure of training for acquisition of qualification) should more sensitively reflect the uneven social urgency and difficulty of recruitment for various branches of training and study. The extent of recruitment for priority sectors is to become an obligatory task for the plan. Even exceeding it may be desirable in the framework of unexceedable overall limits on the extent of recruitment for schools and organizations (or vocational facilities). Unexceedability of these limits--the same as limits on the overall number of personnel of organizations--is to be reinforced also by appropriate material penalties if they be exceeded. Conversely, the training of youth in priority sectors should continue to receive preferential provision of material and financial incentives for apprentices and students.

IV. Resolution of Disparity in Replacement of Long-Term Assets and Manpower

Harmony in planned replacement of long-term assets with replacement of manpower is one of the key prerequisites for effective utilization of manpower. The qualitative aspect of this relation--improvements in the technical level of labor--presupposes replacement of manpower by technology. The quantitative aspect--limitation of superfluous employment opportunities--is an important prerequisite for precluding inflationary demands on manpower with simultaneous and effective utilization of long-term assets.

To date, however, there still is considerable disproportion between reproduction of long-term assets and manpower. Analyses document that in industry alone there are approximately a half-million work opportunities (i.e., about 25 percent of full-time two-shift operation) that have not been filled. What is more, intrashift losses in industry represent approximately 15-20 percent of working time for both workers and machinery, so that the so-called "net" intrashift utilization of long-term assets in industry does not exceed 60 percent of two-shift operation. In other branches of production the situation is probably even worse.

The number of employment opportunities in industry not only cannot be kept on an increase but, rather, will have to be gradually limited by a systematic orientation primarily toward improved utilization of existing capacities and channeling investment toward modernization measures providing manpower savings. This is to be accomplished by a set of measures for attainment of /harmony in replacement of long-term assets and replacement of manpower/ as well as of a more effective substitution of technology for manpower. This entails the whole gamut of instruments provided by the plan--e.g., /goal-oriented programs/ of the state plan some of which are to be primarily oriented toward effecting savings of manpower, long-term /concepts for the development of selected industrial locations/, long-term /programs for modernization and concentration of the industrial base/ and stepped-up use of shift work in VHJ, /obligatory tasks for increasing shiftwork/ of selected capacities by transfer of personnel from discontinued operations, mandatory /liquidation of operations, investment actions promoting advanced modernization/ oriented toward manpower savings. It also includes a system of material /incentives for efficient management/ and, thus, also efficient replacement and utilization of long-term assets and manpower.

An important instrument for all components of management is to be provided in the form of a methodologically uniform /system for verification of manpower provisions

for capacities under development/. Verification must occur as early as the stage of investment preparation and its incorporation into the plan, i.e., prior to launching construction. Any future allocation for investment will require documentation that the intended purpose cannot be implemented without investments, i.e., by improved utilization of work opportunities in existing interchangeable capacities, additional documentation elaborating on utilization of employment opportunities in the capacity under development and ascertaining that transfer of manpower from other existing capacities will not have detrimental effects on their utilization. Subject to documentation is also the feasibility of obtaining further sources of manpower for the capacity under development from discontinued capacities and, last but not least, the feasibility of acquiring further anticipated long-term manpower management sources in the given region after launching the capacity into operation. This documentation is gradually to be subjected to introduction and implementation of /balancing of work places or employment opportunities/, interconnecting utilization of long-term assets and manpower. This documentation must be systematically balanced along the line of branches as well as regions with manpower resources for the period of two five-year plans which, on the whole, corresponds with the cycle of implementation of investment actions.

This should gradually provide a curb on potential inflationary demands for additional manpower due to the surplus of employment opportunities caused by the current extensive orientation of investments.

V. Improved Motivation for Effective Manpower Management

Efforts of organizations cannot be directed in the future toward increasing or even exceeding the planned number of personnel but, conversely, they must be aimed at improving labor productivity and achieving manpower savings. This should be facilitated primarily by a system of incentives, to include the /system for channeling wages payable/. Economic plans of units of the plant management sphere will be determined by the accumulation of wages payable which will be oriented through two "channels"--dividing them into a basic and an incentive component. It is particularly the /basic component of wages payable/ (which may include up to 85 percent of all wage funds) which is to facilitate relative as well as absolute manpower savings. The amount of this component of wages payable will be determined on the basis of norms regulating economic incentives in relation to the volume of production tasks expressed at VHI level by an index of the type of net production (the so-called adjusted value-added output) and at plant level, as far as practicable, in constant units of work or wages. The norm is to be specified by the five-year plan for its individual years so as to give preferential treatment to savings attained already in the yearly plan (in implementation counterproposal) ahead of savings achieved only after its completion. Exceeding labor productivity quotas set by the five-year or yearly plan will make it possible to make corresponding increases in earnings.

Determination of dependency, not directly between productivity of labor and average wages, but indirectly between volume of production and amount of wages payable is to give preference to absolute manpower savings over relative savings.

/The incentive component of wages payable/ (at least 15 percent of the total) is primarily to stimulate overall efficiency and its volume is to be similarly determined by longer term norms for material incentives in relation to overall

efficiency. The latter is to be characterized primarily by the index of profitability of production assets or an index of profitability of production factors (in which profits are related to the total production assets and the number of personnel awarded a specified amount).

In this context, the incentive component of wages payable is, among others, to contribute to savings in human labor which represent the main source of growth in overall efficiency. This will be the case particularly in cases where the incentive component of wages payable will be related to indices of the so-called profitability of production factors which, rather than indices of profitability of production assets, promotes substitution of new technology for manpower.

Under current conditions of production assets appraisal in which the system of prices and levies almost doubly undervalues manpower in comparison to appraisal of long-term assets or equipment, manpower savings are not completely projected into cost reduction and profit increase and, thus, into return on assets. This puts substitution of technology for manpower at a disadvantage in plant calculations even though it is effective from the viewpoint of the national economy.

However, analyses have shown that a more objective appraisal of production factors would require a simultaneous increase in plant levies from wages payable (contribution to social security) to approximately 45-55 percent (under 1977 conditions at the then turnover tax rate) with a simultaneous commensurate lowering of the profit margin in prices. Problems of a more objective appraisal of production factors are expected to be dealt with on a long-term basis (no longer than after 1983).

As long as a more objective appraisal of production factors cannot be arrived at under the current system of prices and levies, this distortion can be eliminated by the index of profitability of production factors (in which monetary appraisal of manpower corresponds to the limit of efficiency of this substitution—the estimate for the Seventh Five-Year Plan being Kcs 700,000).

The incentive component of wages payable and, similarly, a substantial /part of investments/ (through the so-called development fund) and accumulation of a /cultural and social services fund/ should, in addition to manpower savings, simultaneously stimulate also effective utilization of long-term assets and thus help curb creation of superfluous employment opportunities.

The system of incentives for exceeding effectiveness (of manpower as well as of long-term assets) in meeting the yearly plan quotas will then be less intensive than the increase in effectiveness already incorporated into the plan (in the implementation counterproposal); therefore, e.g., in the case of wages payable those savings will be shortened in key production branches by 40-60 percent when exceeding the indicator of results (of value added, or profitability) and by 30-40 percent when achieving absolute savings in the number of personnel in comparison with the yearly plan.

Increases in efficiency and savings of human labor must, of course, also be aided by a system of remuneration and a more effective utilization of their well-tried forms of incentives—piecework wages, bonuses, rewards. A new relationship has been effected between the incentive components of wages and the results attained

attained by intraplant units (utilization of savings in wages payable through manpower savings primarily for those who accomplished or proposed them) offering the possibility of not only a lump-sum reward, but a long-term wage subsidy (facilitating accomplishment of tasks with a lower number of personnel). Extraordinary attention will concurrently be paid to upgrading and expanding the implementation of performance norms, norms for service and attendance not only in key, but also in auxiliary, servicing, management and administrative activities. Objectivization of norms for use of labor is envisioned in connection with the program for improving the economic effectiveness of the remuneration system. Remuneration systems must also be instrumental in helping to overcome apathy to shift work, among others by offering wage premiums not only for work at night and on Saturdays and Sundays, as is the current practice, but also for work in the second shift. Last, but not least, a contribution to effective manpower management is to be provided by improvements in the planned /management of personal and social development/ which will now become an integral part of planned management. Long-term programs will be worked out for key tasks in this area (as a part of prospective plans) as well as five-year and annual implementation plans (as a component of the economic plan) up to the level of sectorial central organs.

Some of the listed measures have not been fully implemented from the start of the Seventh Five-Year Plan. They are to be implemented therefore, once their working out has been completed, in the course of the five-year plan.

In conclusion, it ought to be pointed out that problems of replacement and distribution of manpower cannot be dealt with in isolation, but only in the wider framework of all measures designed to promote growth of efficiency in the development of the national economy.

8204

CSO: 2400/240

CZECHOSLOVAKIA

COUNTERPLANNING--WORKER CONTRIBUTION TO MANAGEMENT

Prague HOSPODARSKE NOVINY in Czech 8 May 81 p 3

[Article by Josef Koutnik, employee of the CPCZ Central Committee: "Workers' Participation in the Management"]

[Text] Participation of our workers in the management of production and their socialist competition constitute a unity of mutually inseparable forms of workers' initiative. Workers' participation in the management of production is demonstrated by their active involvement in drafting, creating and implementing the plan and in controlling its fulfillment. Fundamental improvement of the planned management of national economy is changing the method of organizing workers' participation in the drafting of the five-year plan and of annual operational plans and their share in counterplanning when drafting and preparing annual plans.

Counterplanning is based on specification and implementation of plans for economic production units and enterprises that are more demanding and more advanced than the tasks stipulated for individual years of the five-year plan. This is done by enterprise subdivisions and by individuals who adopt higher tasks than those stipulated by specifications of tasks in the plan for economic production units and enterprises, usually without requests for additional allocations of materials, raw materials, power, capital assets and work forces but rather by tapping unused resources, by more efficient production and better quality of work. This objective is achieved by active participation of all working people in the drafting of the plan.

Planning

The contents of counterplanning must be focused primarily on the achievement of the most economical and most advantageous valorization of all factors of production, a higher share of top-quality goods, innovation of products, introduction of new, technologically superior products, introduction of new technology, higher social productivity of labor, profitability and other qualitative indicators of the plan for enterprises and economic production units, which reflect more efficient production.

Counterplanning demands that the following preconditions be met:

- To specify tasks, extent and economic conditions stipulated by the state five-year plan, including their division into individual years according to the requirements of the Set of Measures. The tasks, extent and economic conditions may be specified on every level of the management. The tasks and indicators for the Seventh Five-Year Plan, or as the case may be, the directives for the preparation of the annual plan, will be specified on the level of the ministries and other central organs in coordination with associated ministries in a differentiated, comprehensive and balanced form.

The task of the economic production units is to specify in a differentiated and comprehensive form, and to coordinate with associated organizations, the tasks and indicators for the five-year plan, or the directives for the specification of annual plans for subordinate enterprises, according to the schedule, volume, line of production, and quality. The tasks thus stipulated will be further specified by enterprises according to specific conditions in plants and workplaces, and differentiated for individual enterprise subdivisions which will specify them for workers' teams in further detail and in a differentiated form.

- To determine specific correlations between the tasks and the means of material incentives specified by the five-year plan, or by the directives for drafting the annual plans—in other words, between adjusted value added, profitability of production assets, profits and imports on the one hand, and wages payable, the development fund, and the material incentive fund to stimulate import on the other hand, or in some instances, the relations between other indicators and means of material incentives.

The contributions of counterplanning will be integrated in economic plans of the organizations. During the implementation of the plan further suggestions will be elicited according to the regulations applicable for the implementation of the plan.

All workers and economic managers must become convinced that in terms of economy it is more advantageous for the enterprise and plants to counterplan and to adopt more advanced tasks in adjusted value added, profitability of production assets, higher tasks in imports and per kg prices, and to employ work forces more efficiently than stipulated by specifications of the plan for the given year, and to fulfill these tasks, rather than to adopt only the tasks of the plan stipulated in specifications and to overfulfill them.

Specific tasks of counterplanning must be resolved by work teams on the level of workshops, operations, plants, organizations and economic production units, with the active participation of the foremen, technicians and economists, inventors and innovators, comprehensive rationalization teams, and socialist labor teams. When the economic amangement negotiates with the workers the potential and the method for the mobilization of internal resources, it should stipulate at the same time specific topical tasks for inventors and innovators, exemplary and most accomplished workers, comprehensive rationalization teams and socialist labor teams so that in particular all qualitative tasks are fulfilled.

Only that can guarantee that the development of the initiative expressed in progressive plans will correspond to the needs of our society and that it will focus

not only on more efficient and better labor performance but also on further improvement in the production of use values necessary for our society; only thus can the development of labor initiative expressed in the plans avoid focusing on higher production of goods that are not in demand and that would only gather dust in storerooms, which would mean needless waste of production assets and work forces and in the final analysis, also depreciation of workers' initiative.

Counterplanning must be channeled so as to help create preconditions required for further upgrading of our workers' social, cultural, sanitary, working and living conditions in accordance with the program and with the plans for cadre training and for their personal and social development within approved limits.

The implementation of the Set of Measures imposes considerable demands on working teams as well as on the managers on every level. Untapped resources, including assets of the social character, must be mobilized in order to fulfill the tasks and to achieve the objectives of the further economic development.

The program for the cadre, personal and social development and its implementation has set the preconditions for gradual resolutions of the still unanswered questions in social management, and provided the workers with an opportunity to fulfill their tasks, to know how to face them, and to deal with them efficiently.

An integral part of the drafting of the plan is active workers' participation in the specification of a new collective contract which contains specific mandatory measures and obligations pertaining to the fulfillment of planned tasks, application of socialist principles in rewards for achievements, improvement of workers' working, sanitary, social and cultural conditions, and the development of educational and training programs. It promotes socialist democracy and strengthens law and order, and sense of labor discipline and comradely relations.

It is imperative to pay attention to workers' participation in the drafting of the principles for the development of socialist competition and of programs for the development of the innovators' and inventors' movement. The results and decisions stemming from public control of the fulfillment of collective contracts, reviews of the fulfillment of socialist pledges and programs of rationalization, and conclusions drawn from analyses of economic achievements and quality of production and labor must serve that purpose.

Socialist competition and workers' participation in the management of production represent an efficient and persistent way to educate individual members of production teams and to discipline their thought and action. Vladimir I. Lenin underscored that socialism offers for the first time the opportunity to develop broad-based competition. The principles and the whole organization of socialist competition must not be chosen casually and cannot proceed arbitrarily; they must be formulated and systematically developed in complete harmony with the overall mechanism and organization of the management, both on a society-wide scale and in every sector of our national economy, in the ministries, economic production units, enterprises, plants, and subdivisions.

Fulfillment

Lenin's principles concerning the organization of socialist competition, when consistently applied, provide a vital precondition for the development of counter-planning. If the plan of economic production units, enterprises, plants and subdivisions combines the resources and assets disclosed on the basis of information, experience and creative approach in the pre-production stage by workers, socialist labor teams, comprehensive rationalization teams, inventors, innovators and other employees, then socialist competition cannot develop haphazardly and spasmodically. Socialist competition must be free from all symptoms of formalism and administrative overkill which adversely affect the workers' attitude. Socialist competition must develop so as to fulfill economic, ideological, political and educational functions.

The current system of organization of socialist competition in economic production units, enterprises and plants must be reevaluated and developed systematically and comprehensively. The demands on the substance of socialist pledges submitted by individuals, teams, plants and enterprises must be raised substantially so as to reflect their share in the fulfillment of the tasks of the plan. Pledges of whole enterprises and plants must express the sum total of the pledges made by teams and individuals and culminate in a progressive plan reflecting the economic effect of the adopted socialist pledges. This presupposes a system where socialist competition starts with the adoption of pledges and personal plans by individuals and workers' teams, continues with pledges of operations and workshops, and ends with the pledges of the whole plant and enterprise, in accordance with the technological cycle in the process of production. Workers in pre-production stages in enterprise subdivisions and workplaces within the enterprise must become involved in socialist competition and their adopted socialist pledges must be coordinated and balanced. Only that may prevent individuals and workers' teams from being frustrated in their initiative by the indifference of the workers engaged in the next stage of the working process in the technological cycle of production.

It is therefore desirable to involve whole teams of workers in socialist competition by organizing competition among individuals, workers' teams, workshops, operations, plants and enterprises. Conditions for competing, rating, control and awards to winners must be stipulated for the competition.

Production councils represent an important form of active participation on the part of the workers in the management of production, drafting of the plan, its implementation, and the development of creativity.

Efficiency of production councils may be enhanced so that they become a truly active form in workers' participation in the management if the production councils are organized systematically, if they are target-oriented, if their training is organized more thoroughly, and if workers' suggestions and recommendations are expeditiously processed and implemented. Technical economic conferences, meetings dedicated to new technology, etc., represent other forms of workers' participation in the solution of vital tasks and problems encountered in the course of the fulfillment of economic plans in enterprises and plants.

Socialist labor teams, comprehensive rationalization teams, the movement of innovators and inventors, and creative plans of individual engineers, technicians and managers or of their teams must be developed comprehensively and further upgraded.

The Revolutionary Trade-Union Movement and the Union of Socialist Youth have the urgent task to approach comprehensively the systematic development and organization of socialist competition, the innovators' and inventors' movement, and other forms of creativity, to coordinate competition among individuals, workers' teams, workshops, operations, plants and enterprises in agreement with the technological cycle of production, and to create a situation where nobody stands aloof from the movement and where everybody is involved in its development.

Top economic employees on every level of the management bear full responsibility for the fulfillment of all essential preconditions for a systematic and comprehensive development of every form of labor initiative and participation in its organization.

Control

Control is an integral part of the management and thus, an indivisible factor of an active participation of the workers in the management. Therefore, it is necessary to achieve a widespread involvement of workers in controlling the fulfillment of the plans and in the management, to publicize good examples, to publicly criticize irresponsible, sloppy and inferior work of any of the workers, including the managers, and to insist on penalties for shortcomings disclosed in the fulfillment of the plan and in the care for our working people.

Mass participation of the workers in the control activity must be focused above all on the following aspects:

- Uniform fulfillment of the tasks according to the directions stipulated for application to be achieved by systematically fulfilling the sales plan in the required structure while maintaining the planned efficiency, quality and economy;
- Fulfillment of qualitative indicators of the plan, especially adjusted value added, profitability of production assets, utilization of fixed assets, more economical utilization of materials, raw materials, fuels, power, higher labor productivity, more rational employment of the work forces, reduced requirements of labor forces and overtime;
- Implementation of the target state programs, fulfillment of the tasks in supplier-consumer relations, and fulfillment of the program for comprehensive socialist rationalization;
- Fulfillment of the tasks of the plan for cadre training, for personal and social development, for the standard of plant dining and social facilities, and fulfillment of measures for improved health protection and work safety.

Control must be conducted regularly, in ten-day, monthly and individual quarterly cycles. Semiannual public reviews of the fulfillment of the plan and of the economic management must go hand in hand with reviews of the fulfillment of socialist pledges, achievements of workers' creative initiative and of collective contracts. An intrinsic factor of public control is also observation of the legal system and of labor and technological discipline. Annual reviews of the fulfillment of the plan must assess not only the achievements for the given year but also the cumulative fulfillment of the tasks of the five-year plan, i.e., from the beginning of the five-year plan.

Active participation of workers in controlling the fulfillment of the tasks of the plan and of economic achievements represents a specific form of "upward" control which, together with "downward" control conducted by leading economic managers, constitutes an indivisible unity and expresses higher principles of the democratic participation of our workers in the management.

Assessment of Achievements

The unity of material and moral labor incentives represents one of the most vital principles of the scientific management and organization in building of socialism and organization of socialist competition. Lenin often stressed that workers who achieve good results in their work and in socialist competition must be rewarded. "Every achievement, particularly one's economic contribution, must be periodically rewarded by the Order of the Banner of Labor as well as by cash bonuses." Lenin's ideas which remain valid to this day must be further specified in accordance with the principles of the Set of Measures.

Material and moral incentives stimulating labor and the development of labor initiative and their efficiency must be reviewed publicly and our working people must be informed about the consequences of their fulfillment or nonfulfillment of their planned tasks in terms of personal and collective material incentives. The role of moral evaluation of the achievements of individuals and workers' collectives must be considerably enhanced in the spirit of Lenin's principles. In this respect the importance of the assessment of individuals and workers' teams must be upgraded in particular.

Material and moral incentives stimulating social production constitute a dialectic unity. They can be neither separated nor counterposed. Only their systematic application may provide favorable preconditions for the fulfillment of economic tasks, for active participation of the workers in the management, and for mass development of socialist competition, and turn workers' participation in the management into an effective method in the process of building of our socialist society.

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ROLE OF WORKERS IN COUNTERPLANNING STRESSED

Prague HOSPODARSKE NOVINY in Czech 22 May 81 pp 8-9

[Complete text of Procedure for Implementation of Counterplanning, as formulated by the State Planning Commission, Czech Planning Commission, Slovak Planning Commission, Federal Finance Ministry, and Federal Ministry of Labor and Social Affairs]

[Text] Active worker participation in national economic management, and especially in the formulation, implementation and control of plan fulfillment, is a significant factor in efficient national economic development and in increasing the material and cultural well-being of the population. Its basic principles have been established in Principles of the CSSR Government and the Central Trade Union Committee Concerning Worker Participation in the Formulation, Implementation and Control of Plan Fulfillment from 1981-1985, which was adopted in December 1980 by CSSR Government Resolution 401/1980. "Principles" emphasizes the intensification of active worker participation, above all in the preparation and formulation of plan proposals by means of counterplanning, which is viewed as a qualitatively higher level of creative worker initiative. Along these lines, the State Planning Commission, the planning commissions of both republics, the FMF [Federal Ministry of Finance], and the FMPSV [Federal Ministry of Labor and Social Affairs] have formulated, after negotiations with the Central Trade Union Committee, the following procedure for the implementation of counterplanning (State Planning Commission, File No 90 702/81), which we are publishing here in its entirety.

I. Objective and Basic Preconditions for Counterplanning

1. Counterplanning is a method for formulating annual plan proposals. Its objective is to mobilize and employ the abilities, knowledge, experiences and suggestions of workers to uncover unused internal capacity, thereby assuring at all levels of management the most efficient fulfillment and surpassing of the goals outlined in the five-year plan, and specifically the guidelines (focus of work) for a given year (hereafter referred to as five-year plan guidelines).

2. The mobilization of internal resources through counterplanning is intended to assure that new possibilities, potential, and resources for the national economy are known at the time of the formulation of the implementation plan and may be used in a planned manner in the assurance of the dynamic and proportional development of the entire economy.

3. Counterplanning also stems from the necessity for unifying, in the formulation of annual plans, individual, collective and societywide interests in the direction of the common search for the most efficient resolution.

4. The five-year plan guidelines establish, for individual years, the main objectives of organizations and, at the same time, the reserves (raw materials, fixed assets, employees, financial reserves, etc.) for their implementation in the form of limits, standards, etc. Therefore, counterplanning is basically focused on the acceleration of the five-year plan guidelines in annual plan proposals.

A precondition for the efficient development of counterplanning is that the more progressive tasks incorporated in a plan proposal not constitute a strengthening of standards, of allocations to fixed assets, etc., in the planning year, nor the automatic increasing of tasks in the following year, and that the advantages stemming from the acceleration process are retained by individual levels of management.

5. Counterplanning is related to economic incentives in accordance with the merit principle. The adoption of more ambitious tasks in annual plan proposals, in comparison with adhering to the tasks of the five-year plan guidelines or the overfulfillment of an annual plan, will be materially rewarded; the failure to uphold five-year plan guidelines will be materially punished. The fulfillment of an accelerated annual plan is judged, in principle, as normal plan fulfillment with the caveat that a moderation or elimination of punishments is established for relevant instruments of material incentives, so long as a failure to meet an annual plan does not fall below the level of the tasks in the five-year plan guidelines.

II. The Main Characteristics of Counterplanning

1. Counterplanning is applied within the framework of the resources and limitations established by the five-year plan guidelines by means of their more efficient valuation, and especially through the improved utilization of raw material inputs. This means that it is focused mainly on the qualitative aspects of development.

2. Acceleration in terms of the tasks of the five-year plan guidelines must be incorporated into the proposed plan of the organization, the economic production unit (including the organizations directly administered by central agencies--hereafter only "VHJ") and of the central agency, at the latest, in other words, at the time of the presentation of the annual plan proposal by the central agency to the relevant planning commission. Insofar as the central agency or the VHJ assure or overfulfill, in their plan proposal, the tasks of the five-year plan guidelines, and adopt a further acceleration of tasks in the formulation stage of the proposal for the state plan (up until its approval), the same increase in economic incentives is applied as for counterplanning. All additional acceleration of tasks is considered as overfulfillment of the plan and receives fewer economic incentives, according to rules applicable for plan overfulfillment; the central agencies conduct themselves in relation to the VHJ as does the general directorate of the VHJ in relation to its organizations.

3. The acceleration, in terms of five-year plan guidelines, of tasks in proposed annual plans receives the following economic incentives:

a) at the organizational and VHI level, according to the relationships given by the Set of Measures and related regulations, which establish the ties between critical indicators and instruments of economic incentives; an increase in the basic components of wages payable depends on a higher level of adjusted labor value added, an increase in the incentive components of wages payable on increased profitability of fixed assets and an increase in average earnings on reducing the number of employees. Managerial employee compensation will depend on the magnitude of the specific indicators, as established by supervisory agencies, that they commit themselves to fulfill; an increase in development funds depends on profit increases, and an increase in the fund for material incentives for exports on increases in exports in comparison with 1980 performance. In sectors where the above-mentioned critical indicators are replaced by other specific indicators (return on factors of production, retail turnover, return on costs, etc.), connections to these indicators will be employed;

b) within organizations, according to the connections and regulations established by the organization managers, and in conjunction with the focus of counterplanning at the inception of work on a plan proposal (the internal regulations governing counterplanning, which should be a part of the regulations governing internal enterprise khozraschet); ties to economic incentives will be expressed in the tasks and indicators corresponding to the management, planning, and khozraschet practices of the enterprise;

c) in the event of underfulfillment of the tasks of the five-year plan guidelines, penalty relationships come into play at the level of the organization and the VHI between the crucial indicators and the instruments of economic incentives; lower adjusted labor value added results in a linear reduction in the basic components of wages payable, a lower return on fixed assets in a progressive reduction in the incentive components of wages payable; and failure to meet profit and conditioning indicators results in a progressive reduction in allocations to development funds, while failure to meet export-increase targets leads to a linear reduction in allocations to the fund for material incentives for exports.

The concrete procedure is presented in detail in Part V.

III. The Focus of Counterplanning

1. The focus of counterplanning is established by a supervisory agency, by agreement with the relevant agency of the ROH [Revolutionary Trade Union Movement], and on the basis of an analysis of the difficulty of the tasks of the five-year plan guidelines when viewed in the context of the concrete conditions of the organization, and with a view to overall social needs, all of which must always be taken account of at the beginning of work or an annual plan proposal. When the situation permits, the focus of counterplanning may be determined up to the end of the Seventh Five-Year Plan.

2. Counterplanning within an organization is primarily oriented toward the following components of intensive growth:

--a reduction in the energy- and material-intensiveness of production, achieved through savings in the consumption of raw materials, fuels, energy, and inputs in comparison with the standards for individual products and groups of products;

--a reduction in the import intensiveness of production, principally by replacing materials which are imported or in short supply with inputs which are domestic and of which there are ample stocks;

--the increased satisfaction of social needs, especially through an increase in effective products for export, and an increase in the production of goods currently in short supply for the domestic market;

--receiving higher prices for exports, particularly by means of an efficient production and supply network, the assurance of spare parts, service, etc.;

--an increase in labor productivity through work rationalization, an increase in the quality of labor-consumption standards (performance standards, service and inventory standards) and the expansion of their base;

--an improvement in the use qualities of products, an increase in the percentage of quality products and products of a state-of-the-art technical level, a minimization of losses due to low-quality products, especially through a reduction in the extent of internal rejects and limitations on the production of products in the lowest quality classifications, etc.;

--a speeding up of the implementation of the results of technical development, especially a shortening of the time needed to start up the production of new products and technologies;

--improved utilization of fixed assets and inventories and a reduction in the amount of production inventories by increasing their turnover;

--reducing the time required to complete construction projects and to make facilities operational and improve the quality of labor and deliveries.

--a reduction in other production and operational costs, in particular the costs of handling at the enterprise, warehousing, etc.

3. In instances where counterplanning is focused as well on the overfulfillment of the delivery objectives of the five-year plan guidelines, the organization and the VHJ are to provide the materials for this production mainly by means of restricting consumption; in the event that there is a need for increased consumption of material inputs, the requirements are to be resolved directly with the supplier in the framework of a clarification of supplier-consumer relations in the planning process. A more detailed procedure is presented in Part VI.

VI. Program and Objectives of Specific Agencies

1. The basic starting point for the organization of counterplanning is the five-year plan guidelines, as formulated by agencies of economic management at individual levels, as far down as internal enterprise units. The task of these economic management agencies is to create comprehensive conditions for the development of counterplanning in their subordinate organizations and units.

2. The formulation of the five-year plan guidelines, and the establishment of tasks, limits on resources and on the instruments for economic incentives (standards, etc.) for subordinate organizations must be differentiated according to their objectives and to the greatest extent possible based on an analysis of individual factors and standards, for instance, indicators of labor and material input consumption. Moreover, the relationship within individual parts of the plan must be clarified, as must the relationship among the individual components, and the established tasks must be coordinated, in their fundamental relationships, with the responsible organizations.

3. The organizations rework in a differentiated manner the tasks, limits, standards, and interrelationships which have been established for them, and at the level of individual internal enterprise departments into indicators and relations which express most efficiently and comprehensibly the assumed contribution of every internal enterprise department to the meeting of the objectives established by the supervisory agency and the degree to which the given internal enterprise department will share in the incentive resources created by the organization, relative to its actual contributions.

4. In the formulation of the five-year plan guidelines, the central agencies, VHIJ and, in some cases, organizations create the absolutely essential reserves to cover potential increased requirements in connection with the adoption of more demanding tasks in subdivisions; at the same time they have to consider particularly requirements for funds in those cases where there exist significant differences in the magnitude of rates used as instruments of economic incentive among the subdivisions.

5. Central agencies, in cooperation with the relevant central agency of the trade union, establish a binding approach and a time schedule for the formulation of the annual plan proposal which provides for sufficient time to hammer out tasks and conditions conscientiously and to incorporate a broad spectrum of workers in counterplanning.

6. Within the framework of the preparation of work on proposed annual plans, the VHIJ and organizations, in conjunction with the relevant ROH agencies, assure the thorough acquaintance of all the workers with the tasks stemming from the five-year plan guidelines for the year in question, as well as with the conditions for incentives.

7. From the beginning, organizational management and the ROH agencies are to organize the formulation of the annual plan proposal with broad worker participation so that not only the professional managerial employees, but employees from all departments share both in the preparation of the plan and in the efforts to accelerate it. At the same time, they are to see to it that the resolution of specific problems and tasks assigned to an individual work site within the context of counterplanning will be solved primarily by the foremen, masters, rationalization brigades, socialist work brigades, innovators and those who improve operations.

Their participation must be organized in such a way that the proposal of an annual plan for the organization stems from the suggestions, experiences and comments of the senior employees, innovators and of those who improve operations, production innovators, comprehensive rationalization brigades and brigades of socialist labor, and so that the plan is focused on increasing labor productivity, production efficiency and the quality of all work. The objective of this procedure is to change qualitatively the current method for formulating annual plan proposals within organizations.

8. Individual management levels are to incorporate the contributions of counterplanning into their own annual plan proposals, including the acceleration of qualitative indicators to the fullest extent and, insofar as it is a matter of increasing production, then only in the event that the requisite material inputs have been provided for.

9. The supervisory economic management agency will survey the efficiency of the proposal, the accuracy of the calculations of resources for material incentives, as well as the assurance through suppliers of needed increases in raw material and input requirements. On this basis, it will make a decision concerning the incorporation of the contribution of counterplanning into its own plan proposal, regarding which it will inform the subordinate organization.

V. Economic Incentives

The relevant regulations establish the system and conditions for economic incentives as these relate to counterplanning. They contain definite relationships between the critical indicators and the instruments of economic incentive for cases both of accelerating and underfulfilling the tasks of the five-year plan guidelines in the annual plan proposals, as well as for overfulfilling and underfulfilling the annual plan. These relationships apply for VHJ and for organizations, on the condition that for an organization within the framework of a VHJ the connections of wages payable depends on performance according to regulations issued by the VHJ (Section 17 of Proclamation 143/1980, Laws of the CSSR, concerning the allocation of wages payable and labor compensation).

Insofar as one is concerned about economic incentives in internal enterprise departments, links are applied which depend on performance as expressed by indicators which, within the framework of the internal enterprise regulations on counterplanning, directly identify the contribution of individual work sites, collectives, and employees in the acceleration of the tasks of the whole enterprise.

At the level of the VHJ and the organization, the following relationships are to be implemented during the Seventh Five-Year Plan:

1. In Cases of Accelerating Tasks of Five-Year Plan Guidelines in Annual Plan Proposals

a) for increases in adjusted labor value added (or of another critical indicator), the magnitude of the basic component of wages payable will be calculated according to the standard established by the guidelines, i.e., the basic component will increase by 1 percent for each percentage increase in value added (Section 6 of Proclamation 143/1980, Laws of the CSSR;

b) when a higher return on productive assets is undertaken (or of another critical indicator) the magnitude of the incentive component of wages payable is increased in direct proportion to the percentage increase in the chosen indicator, i.e., the recalculation coefficient has the value 1 (Section 7, paragraph 3a) of Proclamation 143/1980 Laws of the CSSR;

c) in cases where a higher increase in labor productivity is undertaken by means of a reduction in the number of employees, the binding limits (standards) for wages payable apply without restriction, such wages determine the dependence between these funds on the planned magnitude of the critical indicators (i.e., standards for basic and absolute limits for the incentive component of wages payable). This makes possible a more rapid increase in average wages in comparison with the five-year plan guidelines--CSSR Government Resolution 404/1980, concerning measures for providing incentives to conserve labor inputs;

d) in cases where a larger profit is received, a preferred standard will be applied to the excess amounts in order to generate the development fund. The computation will consist of increasing the basic norm by a percentage determined by the relevant central agency for this purpose, but which, under no circumstances, may exceed 50 percent (Section 14, Paragraph 6 of Proclamation 162/1980, Laws of the CSSR, concerning the financing of capital asset replacement).

This procedure is applicable on the condition that the VHI and organizations incorporate in their annual plans conditioning indicators (as a rule return on productive assets and market structure) of at least the magnitude established by the five-year plan guidelines. If, however, they adopt conditioning indicators of a lesser magnitude, then the allocation for a given half-year period will be reduced (i.e., a 5 percent reduction for each percentage point reduction in any indicator), so that the adoption of a plan proposal calling for a magnitude of only 80 percent of the objectives of the five-year plan guidelines means the loss of the right to an allocation from profits in a given half-year;

3) in cases in which a higher yearly increase in exports, in comparison with previous performance, is undertaken, the procedure for calculating the economic incentive resources is to multiply the incentive norm by a preferential coefficient of 8 (Point II/3/b of Guidelines and Regulations for Implementation of Financial and Economic Instruments in Foreign Trade for the 1981-1985 Period--FMF Document No XIII/1-8260/80, October 1980, hereafter cited as Regulations and Guidelines).

In order to compute the amount of resources to be allocated to the fund for economic incentives for exports, it is necessary to calculate the following:

i) real 1980 exports, adjusted by the $VRCV / \sqrt{\text{Foreign-Exchange-Rate Correction Factor}}$ applicable for the relevant year of the five-year plan, is the basis for calculating the average yearly increase,

ii) the magnitude of the norm is calculated by the formula
$$\left(\frac{\text{planned cost and freight price}}{\text{planned wholesale price}} \right) \times \text{coefficient,}$$

iii) for VHI included in the sectors mentioned in Guidelines and Regulations under Point II/A/2, a through d, the amount of planned incentives is calculated on the basis of planned exports expressed in all charges paid prices for the relevant year of the five-year plan, with the aid of the planned incentive norm,

iv) for VHJ included under e through n of Guidelines and Regulations, the overall incentive system is generated from the basic incentives and from the incentives for average yearly increases. Basic incentives are calculated on the basis of the value of 1980 exports in all-charges-paid prices with the aid of the planned incentive norm for the given year of the five-year plan. The incentive for increases is calculated from the value of exports, in all-charges-paid prices, which represent the planned average yearly increase in exports for the relevant year of the five-year plan in comparison with 1980, with the aid of the incentive norm multiplied by the preferential coefficient of 8:

$$\text{average yearly increase} = \frac{\text{all-charges-paid prices for relevant five-year plan year} - \text{all-charges-paid prices for 1980}}{\text{number of years completed of five-year plan}}$$

2. In Cases of Overfulfilling Annual Plan Tasks

a) when adjusted labor value added and return on productive asset targets (or other critical indicators) are exceeded, a recalculation of the basic and incentive components of wages payable is conducted, provided that conditioning indicators have been fulfilled. Recalculation coefficients with a numerical value of less than 1 will be used for this recalculation.

Organizations identified by the relevant Ministry of Labor and Social Affairs may not conduct such a recalculation (Section 6, Paragraph 3a and Section 7, Paragraph 3b of Proclamation 143/1980, Laws of the CSSR; and Article 4, paragraphs 1 to 3 of FMPSV, File No 31-21/81-7700, concerning an approach for allocating wages payable).

For both the norm for the basic component of wages payable and the absolute limit of the incentive component of wages payable, the supervisory organs are to establish a level of overfulfillment of critical plan indicators, up to the magnitude of which both of the above components will be recalculated, as well as the value of the recalculation coefficients (with the same numerical value for both components):

i) to a magnitude of 0.6 for VHJ and organizations in the sectors of agriculture, forest management, and raw material salvage, for VHJ and organizations in the food-stuffs industry which are designated by the ministries of agriculture and nutrition of the CSR or the SSR in agreement with the relevant ministry of labor and social affairs, and VHJ and organizations which are primarily engaged in assuring output established by state target programs, or efficient export production, or selected construction projects, and therefore are included in state priorities,

ii) to a magnitude of 0.4 for VHJ and organizations in the sectors of industry, construction, geological research, transportation, communications, local management, and fuel supply (coal warehouses), with the exception of VHJ and organizations mentioned under i),

iii) to a magnitude of 0.3 for VHJ and organizations in other sectors, with the exception of those cited under i),

iv) for organizations which, upon overfulfillment of critical indicators, recalculate only the planned amount of the incentive component of wages payable, to a magnitude arrived at through agreement between the central agency and the relevant ministry of labor and social affairs,

v) for design and engineering organizations, and economic organizations of the research and development base, according to guidelines number 12/1980 of the FMTIR /Federal Ministry of Technical and Investment Development/;

b) When the number of employees is reduced below the binding limit (Article 6, Paragraph 1c of FMPSV guidelines, File No 31-21/82-7700, concerning the procedure for allocating wages payable), the following percentages of the conserved amounts of wages payable (excluding other personal costs) remain with the organization:

i) 70 percent for organizations and VHJ in the sectors of fuels, energy, ore and uranium mining, agriculture, forest management, raw material salvage, for VHJ and organizations in the foodstuff industry which have been designated by the ministries of agriculture and nutrition of the CSR and the SSR in agreement with the relevant ministry of labor and social affairs, and for VHJ and organizations which are primarily engaged in the assurance of production established for state target programs, or efficient production for export, or selected construction projects, and for this reason are included in state priorities,

ii) 60 percent for VHJ and organizations in the sectors of industry and construction and are managed by central and national committees (with the exception of those mentioned in i), geological research, transportation (including mass transit), communications, local management and coal warehouses.

iii) 40 percent for VHJ and organizations in other sectors,

iv) 20 percent for budgetary, cultural and educational support organizations.

The wages payable gained by reducing the number of employees are to be used primarily for economic incentives for the employees who have contributed to the realization of these reductions FMPSV Recommendations File No 31-184-81 7210);

c) When profit targets are exceeded, an amount equal to only 40 percent of the excess profit is included in the basic allocation for the generation of the development fund; there is no change in the amount of the norm for the fulfillment and overfulfillment of the conditioning indicators; if they are not fulfilled, the allocation of profits to the development fund is reduced in such a way that it disappears in a given half-year when the indicators are fulfilled at an 80 percent level (Section 14, Paragraph 2 of Proclamation 162/1980, Laws of the CSSR, concerning the financing of capital asset replacement);

d) A preferential coefficient of 4 (Guidelines and Regulations) will be used to calculate the economic incentives for exports in cases of overfulfillment of the average yearly increase in export targets incorporated into an annual plan.

3. For Failure to Adhere to Five-Year Plan Guidelines and for Underfulfillment of Annual Plan

a) When lower adjusted labor value added, or other critical indicators, are undertaken in an annual plan, the norm will be used to calculate the basic component of wages payable and, in the event that this indicator is not fulfilled during the implementation of the plan, then the basic component of wages payable will be recalculated

using the coefficient 1, i.e., a 1 percent reduction in performance will result in a 1 percent reduction in the basic component (Section 6, Paragraph 3b) of Proclamation 143/1980, Laws of the CSSR;

b) When a lower return on productive assets, or of another critical indicator, is undertaken in an annual plan, then the failure to fulfill this indicator during the implementation of the plan will reduce the absolute limit on the incentive component of wages payable to an extent expressed by the recalculation coefficient; the recalculation coefficient is determined by the supervisory agency (Section 7, paragraph 3c) of Proclamation 143/1975, Laws of the CSSR; Article 4, Paragraphs 4 and 5 of FMPSV Directive, File No 31-21/80-7700 regarding the allocation of wages payable) and will be equal to

i) 1 for reductions of 0-3 percent in the critical indicator,

ii) 2 for reductions of 3-6 percent in the critical indicator,

iii) 10 for reductions of more than 6 percent in the critical indicator. Should an organization undertake a higher objective in an annual plan and then fail to meet it, then recalculation coefficients are applied in ranges, the boundaries of which correspond to the increase in the critical indicator undertaken in the annual plan (1 percent for each percentage increase in the level of the critical indicator);

c) When a lower profit target is undertaken in an annual plan in comparison with the five-year plan guidelines, then the norm for allocating profits to the development fund is reduced by 5 percent for each percentage decrease in the target, so that undertaking a target which is 80 percent of the plan guidelines results in an elimination of the right to allocate profits to the development fund (Section 14, Paragraph 6, Proclamation 162/1980, Laws of the CSSR, regarding the financing of capital-asset replacement); in terms of conditioning indicators, the allocation reduction cited in Paragraph 2, Part V of Point 1d of this program is applicable;

In the event of the failure to meet profit targets in annual plan implementation, there will be a reduction in the allocation to the development fund according to the established norm, i.e., for a 1 percent underfulfillment the allocation will be reduced by a specific percentage of the norm, on the condition that the conditioning indicators are fulfilled or overfulfilled; if they have not been met, then the reduction will proceed according to Part V, Point 2c of this program. If an organization undertakes a higher target for the conditioning indicators in its annual plan than provided for in the five-year plan guidelines and then fails to meet these targets, then the conditioning indicators are regarded as fulfilled for the purposes of calculating allocations from profits to the development fund, so long as the indicators have reached at least the magnitude specified in the five-year plan guidelines; a progressive form of reduction is employed only in instances when they have been underfulfilled at a level below the targets of the five-year plan guidelines;

d) when higher targets are undertaken in an annual plan in comparison with the five-year plan guidelines, for conditioning indicators for a supplementary allocation to the cultural and social needs fund and then not fulfilled during plan implementation, then the allocation to the cultural and social needs fund is reduced (Section 4, Paragraph 6, of Proclamation 165/1980, Laws of the CSSR regarding cultural and social needs fund requirements) only in the event that the conditioning indicators are fulfilled at a level below the targets in the five-year plan guidelines;

e) In the event that the annual increase in exports stemming from the five-year plan guidelines is not incorporated into the annual plan proposal, or the adopted annual plan contains lower targets than those established by the five-year plan guidelines, the calculation of claims on the resources for material incentives for exports will employ a preferential coefficient of only 4 (Guidelines and Regulations for the Application of Financial and Economic Instruments in Foreign Trade for the 1981 to 1985 Period, FMP, File No XIII/1-8260/80, Point II/3/b);

f) If any of the export indicators are unfulfilled in an annual plan (all-charges-paid prices, wholesale prices, or critical indicators), the resources for economic incentives for exports will be reduced to an extent related to the degree of underfulfillment of the indicator which registered the poorest performance, using a coefficient of from 0.95 to 0.30 for ranges up to 15 percent underfulfillment; should any indicator register more than a 15 percent underfulfillment, then the right to an incentive is lost (Guidelines and Regulations of the FMP, File No XIII/1-8260/80P). If a VHJ covers an export shortfall of 1 year with overfulfillment in the subsequent years, then the VHJ may petition for supplementary draws from unrecognized incentive payments.

4. Economic Incentives for Managerial Employees

In the area of economic incentives for managerial employees (General and professional directors of VHJ, enterprise directors and their deputies), the amount of yearly bonuses is influenced by the progressive character of the targets assumed for a selected indicator in an annual plan, in comparison with the five-year plan guidelines (Decree of the FMPSV, File No 31-1673/80-7315, concerning material incentives for managerial employees of economic organizations) in the following ways:

a) for undertaking a target in a given year which stems from the five-year plan guidelines, the amount of yearly bonuses is established at up to 30 percent of the basic pay (for mining organizations in the coal, uranium, ore-processing and magnesite industries, including mine construction industries, up to 40 percent),

b) up to 35 percent yearly bonuses for undertaking targets higher than those in the five-year plan guidelines, and up to 40 percent upon the assurance of these targets from the beginning of the five-year plan (up to 45 percent and 50 percent for mining organizations),

c) Under a commitment to a lower goal [but achieving higher fulfillment], the annual bonus rate may be up to 25 percent (up to 35 percent per mining organizations), and under conditions of continuous fulfillment of the five-year plan from its beginning the bonus rate may go up to 30 percent (40 percent for mining organizations).

Should an organization undertake a higher target for a given indicator and then fail to fulfill it, then the yearly bonus for the managerial employees responsible for fulfilling this indicator will be reduced by 20 percent. If the organization fulfills the target contained in the five-year plan guidelines for the specific year, then it is possible to increase the yearly bonus for these employees by as much as 10 percent of their base pay (Section 5, Paragraph 4 of FMPSV Decree, File No 31-1673/80-7315).

VI. Assuring Supplementary Materials Requirements

The assurance of the requisite level of material requirements will be approached as follows, within the context of the negotiation of supplier-consumer relations:

1. For products which necessarily do not offset each other at individual levels of management (so-called nonoffsetting products), or those which are necessarily not negotiated (Section 4, Paragraph 5, Decree 48/1980, Laws of the CSSR--hereafter cited as Decree), the organization will negotiate separately, in the process of plan formulation, justified supplementary requirements for raw materials, inputs, products, fuel and energy with its partner supplying organizations. If they reach agreement, the organization may incorporate an acceleration of the targets of the five-year plan guidelines into its annual plan proposal, while the delivering organization may incorporate the agreement into the relevant material balances, composed according to Section 19, Paragraph 1 of the Decree.
- 2) For products which are offsetting at the level of the VHJ, central agencies and state plan, the proposing organization must implement separately justified supplementary requirements for purposes of acceleration with its supplier, and negotiate its demands within the framework of supplier-consumer negotiations in the process of plan formulation. It is to proceed in this according to Section 12, paragraphs 1, 2 and 4 of the Decree on the condition that in the protocol proposal and in the protocol itself the organization present separately the negotiated special requirement. At the same time:
 - a) for products which are offsetting at the central agency level, the supplier and consumer VHJ must present to their supervisory central agencies the drafts of their annual plans as well as the aggregated protocols covering their negotiations. On the basis of these protocols, the central agencies will draft intersectorial protocols, and the consumer central agencies will document their submitted requests for acceleration with the justification for consumption. Section 12, Paragraph 7 of the Decree contains relevant resolutions;
 - b) for products which are offsetting at the level of the state plan, the previous procedure is applicable on the condition that the intersectorial protocols are submitted by the central agencies to the State Planning Commission and in organizations managed by republic organs, also to the relevant planning commission of the republic in question (with a draft of the applicable materials balances). Section 12, Paragraph 8 of the Decree contains relevant resolutions.
3. Insofar as it is a matter of increased production incorporated into the draft of the annual plan within the framework of counterplanning, and which is covered by raw materials and demand, the producing organization of its supervisory VHJ and, in some instances, the central agency, will announce the increase in production to the relevant accounting location (accounting manager). He will aggregate it with the resource components of the material balances.
4. So long as the agreement does not reach down to the organization level during the supplier-consumer negotiations concerning increased requirements for production, the supervisory VHJ may negotiate the increased requirements within the context of supplier-consumer negotiations. And if agreement is not reached even at this level, then it is impossible to incorporate the increased requirements into the annual plan.

5. The above procedure for assuring offsetting products (points 2 and 4) is applicable only in those organizations whose central agency is the holder of a fund under Unified Methodological Recommendations for Plan Proposal Formulation. If a plan for acceleration is presented by an organization whose supervisory agencies are not fund holders, then additional requests must be submitted through holders of funds for other consumers (Section 11, Paragraphs 4 and 5 of the Decree).

This procedure for implementing counterplanning is the concretization of the regulations contained in Principles of Worker Participation in the Formulation, Implementation, and Control of Plan Fulfillment from 1981 to 1985, as approved by CSSR Government Resolution 401/1980 and the presidium of the Central Council of Trade Unions. It does not take the place of the regulations concerning the connections between the critical tasks and the material incentive instruments cited in the relevant regulations, but only unifies their interpretation and is the basis for the formulation of counterplanning regulations at individual levels of management, which are able to take cognizance of sectorial peculiarities and systems of sectorial and, in some cases, internal enterprise management.

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NEW INVESTMENT CREDIT RULES DISCUSSED

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[Article by Dr Vladimír Jindra and Eng Vladimír Okurka: "Credit in the Seventh Five-Year Plan"]

[Text] The Czechoslovak State Bank has issued, among other measures, new guidelines on the granting of credit designed to serve banks as a set of principles governing domestic and foreign-exchange policy after 1980. These guidelines are in the form of a regulation for internal use articulating mandatory skeleton dispositions of the law into the form of practical instructions and specifying them for individual branches of the national economy.

Compared to the old directives, the new guidelines are more comprehensive in that they attempt to answer all questions involving credit relationships, leaving no room for additional changes beyond their stated purpose. Should the need arise to institute additional changes, then the regulations and their respective stipulations will have to be replaced by new wording (therefore, the guidelines were published in looseleaf form).

To improve and simplify contacts between the bank and the khozraschet sphere and render the new regulations easier to understand and have a greater impact on workers, the bank has also made its internal regulations on the granting of credit available, for the first time in its practice, to all VHLJ's and organizations requiring credit, thereby placing the implementation of its credit policy under public control.

Acquainting VHLJ's and enterprises with internal banking regulations will remove the pressure on the bank's branch offices frequently arising from the VHLJ's and enterprises' ignorance of the service branch offices and their departments are able to render and make an end to unrealistic demands. At the same time, the intent of the guideline to publicize conditions for the granting of credit (solvency, granting credit against material security, guarantee of repayment, expected yields and profits) will have been achieved. In this way, both partners in a credit relationship are today in possession of the same "score" which should result in a duet instead of a duel characterized by a search for loopholes to outsmart the true intent of the regulations.

In this connection, especially workers in enterprises should be made aware that the guidelines for the granting of credit can be applied only if they are in accord with

the principles governing the bank's exchange policy and must be understood in this context. As is known, a policy of active restrictions in granting credits was promulgated for the first years of the Seventh Five-Year Plan. This means that of the alternatives which the new guidelines offer in granting credit not all, such as, the various types of credit available, advantageous elements in the differentiation of credit, potential simplification and other possibilities, will be open to individual enterprises as a rule. Therefore, referring to the stipulations of the bank's guideline and raising claims to "entitlements" to this or that type of credit would be misguided. The guideline constitutes an inventory of alternatives open to the bank's organs and a summary of the bank's rights in granting credit, but which of these alternatives and rights will be applied in the case of a given enterprise is subject to interpretation where the experience of the credit clerk, the willingness to accept risk and other factors which are influenced by the fundamental principles governing the bank's exchange policy play a role.

The Bank's Credit Relationship to the VHJ

As in the case of regulations governing financial management, the relationship between the bank and a VHJ established by granting credit does not make any distinction between individual types of VHJ's and therefore identical stipulations apply to a branch enterprise, concern or trust. But several exceptions from this principle exist in the credit guideline with regard to concerns involving evaluation of eligibility by assessing the use of the credit on the basis of certain criteria of efficiency and the application of credit differentiation.

Since the VHJ has become the fundamental *khozraschat* element, it is also the bank's principal partner in the granting of credit. This means that the basic questions of the credit relationship are being negotiated between the VHJ and the respective specialized department of the bank in all instances, i.e., even when credit is being granted to a specific enterprise. The volume of credit, the criteria by which the efficient use of credit will be judged, the method of granting credit, the interest rate, penalties, the right of signing credit documents, etc., must be agreed upon with the VHJ.

Different criteria govern the granting of credit, depending on the measure of concentration of jurisdiction and responsibility in the VHJ taking into consideration at the same time the rationality of the credit relationship. The VHJ acquires credit for centrally identified needs and activities. Therefore, in the case of investment credits, for example, the credit relationship will be centralized more frequently at the VHJ than in the case of credit for supplies, because decisions on investments will probably be made more frequently at the middle management level where funds for the financing of investments will also be concentrated more frequently than in credits granted for the purchase of supplies where financing, the formation of the revolving fund and also the crediting of supplies will remain for a considerable length of time the concern of enterprises and branches of the bank.

In sum, the legal formulation of credit relationships never precedes developments in the area of concentration of entrepreneurial decisionmaking but starts from it in the interest of flexible adjustment.

The experience gained demonstrates that in implementing the above principles certain problems can arise which can be mitigated by proceeding sensitively and cautiously but which cannot be eradicated as long as the granting of credit is not centralized exclusively at the VHJ. These problems stem from the fact that centralization at the VHJ level is not being carried out uniformly by the various management levels. With respect to credits and in some other areas, centralization is being postponed till favorable conditions develop or the question of centralization is referred to stipulations in VHJ statutes while in other management areas, for example in the area of remuneration and foreign-exchange allocations, the VHJ has been designated by law as the basic element effective as of 1981.

The relationship between the area of credit management and remuneration can serve as an example. Today most credits are being granted enterprises. The interest charged for these credits affects the enterprises' profits and thereby the indicators of profitability with respect to operating funds, which in turn affect the means available for remuneration and allocations to some funds used for material incentives even at the VHJ level. Part of the interest and allowances charged or credited to individual enterprises constitutes an item to be added or subtracted in calculating the means available for remuneration of the VHJ as a whole. In discharging its function as society's control organ in the area of remuneration, allocation of foreign exchange, etc., the bank must assess the performance of a VHJ as a whole, which enables the bank to contribute by appropriate credit- and interest-management policy (even where credit is granted or interest is paid by an enterprise) to remedying the shortcomings discovered at the VHJ.

The lack of uniformity in centralizing credit policy at various levels of management raises the following problems:

--using the interest rate charged as a penalty in case of a VHJ where a shortcoming has been found when the VHJ is not the borrower and does not pay the interest and where it is difficult to identify the source of partial shortcomings and apply the penalty only to enterprises directly responsible and protecting at the same time a VHJ which is a good manager from the impact of the penalty which has been imposed on the VHJ as a whole. This problem arises, for example, in imposing credit and interest penalties for flouting mandatory wage limits or in the case of various infractions against wage regulations by a VHJ where none of the enterprises is the guilty party;

--whether and how to impose a penalty for failing to meet the criteria of efficiency in utilizing credit or failing to fulfill assigned tasks in the case of enterprises whose VHJ as a whole has fulfilled or even exceeded the plan. Imposing the penalty against the guilty enterprise would reduce partly the overall means available to the VHJ for remuneration. The same applies to the reverse case where an enterprise is entitled to a preferred rate of interest but the VHJ as a whole does not qualify.

Many such cases exist. An especially glaring example is the fact that even though credits are being granted to concern enterprises which are mandated to submit statistical reports to a branch of the bank, this reporting duty is being ignored and the bank has to procure data it needs to grant credit by a roundabout way from the concern.

Therefore, the bank has found it necessary to proceed very gingerly in deciding on credits, examine the situation of an enterprise in relation to the situation at its VHI by establishing close cooperation and by routine preliminary consultations, etc., between bank branches, the enterprises applying for credit and industrial branch departments. This cooperation needs to be steadily improved to provide the bank branch routinely with information on the problems of the entire VHI in advance and enable it to apply potential penalties without delay. Each VHI should prepare in advance an internal guideline listing the impact of penalties and preferred interest rates on the means available to individual enterprises for the payment of wages and salaries.

Criteria of Efficient Use of Credit

The bank judges efficiency in the use of credits by the degree of fulfillment of mandatory tasks and limits set by the economic plan of the enterprise, paying special attention to the following criteria of efficient utilization of credit: the differential export indicator, export in delivered prices and wholesale prices, profitability of operating funds, deliveries of capital investments in toto and the importance of the projects, deliveries for the domestic market in retail prices, the proportion of new products of overall production, the proportion of high technology and first-quality products, the ratio of adjusted output to the number of workers and the proportion of overall expenditures to total output.

Additional criteria apply for individual branches which are characteristic for the respective sector. For example, in the case of fuels, among other criteria it is the average daily coal output; in the power industry, planned specific fuel consumption for power and steam production; in the heavy engineering industry, the proportion of sales lost due to complaints and the formation of available national income; in the building construction industry, the number of completed apartments, the volume of completed mandatory construction projects and projects slated for completion by central authorities, etc. On the other hand, the system of assessing efficiency in the use of credit according to a unified list of criteria is not used in branches to which the Set of Measures applies and efficiency in the use of credit in these cases is judged by a simpler and more flexible method.

The industrial branch department of the bank selects four to six of the above-mentioned criteria with some of them replaceable by other criteria listed in the guidelines. However, in the case of export enterprises, the selected criteria must be those affecting the balance of payment which in view of the current importance of the balance of payments is understandable and necessary. The production enterprises' ability to keep pace with world competition and export efficiently is currently the principle evaluation criterion.

If the criterion is a planned task, then the bank branch will determine its current annual efficiency to the extent corresponding to the task as stipulated in the plan, in other instances, to an extent representing a certain improvement in efficiency over the preceding year.

The bank judges the fulfillment of the above criteria with increasing stringency beginning with the period for which the five-year plan was approved. This adds an element of long-term continuity to credit differentiation based on the assessment

of criteria and brings to an end an era when at the start of each year every enterprise was starting with a clean slate.

In addition to criteria shedding light more or less on the overall quality of management of an enterprise, in some cases the bank uses partial criteria in judging the efficient use of a specific type of credit (for example, in the case of credit granted for the purchase of supplies it is the turnover time of supplies measured in days, in the case of credits for limited capital investments, the efficiency of production machinery).

The application of criteria in assessing efficiency in the use of credit needs to be steadily improved. Some of the criteria, especially those chosen for specific sectors, are of a quantitative nature and in the future these will have to be converted to qualitative criteria. Thought will also have to be given to improving the criterion of contribution to the national income to eliminate the possibility of covering up nonfulfillment of export tasks by increasing deliveries for the domestic market (such as in the case of machinery which did not stand up in competitive markets). Efficiency in the use of credit will have to be judged with increasing stringency without fear of raising expectations where fulfilling criteria (export, differential indicator) has become easy, for example, as a result of inflation on nonsocialist markets. Raising efficiency cannot be judged only by comparison with average performance of a given branch (especially where efficiency is declining) but must be based on the dynamics of the plan, i.e., on the reality of the preceding year. Generally, in assessing efficiency in the use of credit, the results achieved, not those promised, are important.

New Credit Categories

In the past, determining categories of credit was tied to the plan and the situation of the creditor in the reproduction process. It was based on the assumption that all credits planned for the various types of material values are a priori beneficial from the exchange point of view.

In view of the emphasis placed on the exchange aspect of credit in the stipulations of the banking exchange policy for the Seventh Five-Year Plan, the bank found it necessary to differentiate between credits on the basis of whether they strengthened or weakened monetary balance and exchange stability, in other words, whether they were desirable or not in facilitating preparation of the exchange plan, compiling credit statistics and setting appropriate interest rates.

To simplify matters, the guidelines on credit management resolved the new categorization requirement by designating as undesirable those credits which had an adverse effect on exchange stability, namely, credits to repay loans which have become past due, payment credits, credits for the payment of wages, credits for the purchase of unneeded supplies, consolidation credits and past-due credits. Hence, credits which the bank was more or less forced to grant in the interest of strengthening payment discipline in the national economy and protecting well-managed organizations from being forced to default on payments due or the inability to pay wages when they were not at fault.

Thus, the credit guidelines consider all other credits desirable from the viewpoint of their effect on exchange stability. Obviously, this differentiation is temporary and in time those in the category of desirable credits whose effect on exchange stability is problematical will have to be eliminated. For example, it is questionable whether the credits which are being granted Mototechna to pay the state the uncollected sales tax from unsold automobiles is desirable from the viewpoint of the effect on exchange stability. Also controversial from this viewpoint is that part of credits granted for the purchase of permanently revolving supplies which replace the borrower's own assets. Also similar nature are credits designated as desirable from the viewpoint of their effect on exchange stability granted enterprises which use credits inefficiently or credits granted on current accounts exceeding the credit limit.

Preferred Interests and Penalties

In determining interest rates, credit differentiation permits the bank to grant preferred interest or impose a penalty and reward in this way an organization for good work or penalize it for shortcomings. The basic system of applying preferred rates or penalties continues in the Seventh Five-Year Plan but in refined form.

To a degree, the new credit guidelines reflect trends which are becoming increasingly evident in the daily work of some socialist banks endeavoring to introduce mandatory procedures and tariffs in the application of credit differentiation. Use of the mechanism of central regulation of credit differentiation has progressed farthest in Bulgaria where in certain zones (investment and operation) the standard interest rate is charged for credit while in other zones an interest rate is charged which is higher or lower by a specific number of points.¹ Currently in our country in the Seventh Five-Year Plan such interest-rate differentiation within set limits is being practiced so far only in the case of construction credits.

Central regulation of interest-rate penalties in the Seventh Five-Year Plan is expected to be applied only during the negotiating period of the economic plan between the organizations and the bank. In this period, the procedure of centrally applied penalties is instituted regardless of excuses made by enterprises or the opinion of the employees of the bank's branches charged with assessing the merit of the case.

1. The following scale applies in setting interest rates where money circulation is being:

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| a. Accelerated by more than 20 percent--basic interest rate minus | 2 points |
| b. Accelerated by 15 to 20 percent--basic interest rate minus | 1.5 points |
| c. Accelerated by 10 to 15 percent--basic interest rate minus | 1 point |
| d. Accelerated by 5 to 10 percent--basic interest rate minus | 0.5 points |
| e. Accelerated by up to 5 percent--basic rate | |
| f. Slowed down by up to 5 percent--basic rate plus | 1 point |
| g. Slowed down by 5 to 10 percent--basic rate plus | 2 points |
| h. Slowed down by more than 10 percent--basic rate plus | 3 points |

A similar scale applies to capital credits with basic interest rates augmented or reduced by -2 to +5 points depending on whether the construction deadlines and loan payments are being met.

The bank branch must raise interest rates to enterprises failing to incorporate in their economic implementation plan specified tasks mandated by the national economic plan by 0.5 to 1 percent (to organizations paying 3 or 4 percent for operational credit by 0.1 to 0.5 percent) in the case of operational credits and targeted capital credits for the purchase of machines and equipment including credits for the implementation of rationalization measures until the corrected economic plan is submitted (for 2 months at the most). Enterprises failing to correct the shortcoming within two months will pay the highest interest rate reflecting an up to 50 percent increase over the basic rate for as long as the implementation plan remains uncorrected. An enterprise asking for a new credit or an increase of an already existing credit is granted such credit by the bank branch only for the fulfillment of specified mandatory tasks stipulated by the economic plan. Exceptions from this practice can be granted only by the general manager of the bank branch involved.

Centrally regulated, this practice has shortened the duration of controversies over acceptance of specified tasks which in the past have dragged on for the entire first half-year while today enterprises and their superior organs are eager to resolve controversies rapidly to avoid penalties.

In contrast, for the implementation period of the Seventh Five-Year Plan, central application of penalties and preferred rates is not yet being mandated by any credit regulation and bank branches can decide on whether to impose penalties or grant preferred interest rates on the basis of their own judgment and their perception of the enterprise's contribution or lack of same and of other factors which mandatory differentiation does not permit considering. Some credit protocols indicate that agreement was reached in a number of cases by the branch bank and enterprises on the introduction of elements of central mandatory regulation of penalties and preferred interest rates at least to the extent that enterprises knew in advance of the five-year plan (or its annual segment) the conditions governing interest-rate levels which enabled them to make preparations to be put into effect at an appropriate time.

In the case of preferred interest rates, the new guideline at least set a ceiling for fulfilling the conditions for which they were granted. This ceiling is important in the case of enterprises granted huge credits where even a small interest-rate reduction amounts to a lot of money.

At the same time, entitlement to preferred interest rates was made more stringent with the aim of encouraging enterprises to meet the key tasks of the Seventh Five-Year Plan and fulfill especially export tasks to nonsocialist countries efficiently and improve simultaneously the differential indicator, improve markedly the proportion of technically advanced and first-quality products (in order to achieve a higher delivered price) and achieve a reduction in fuel, energy and raw material consumption.

Credit Management Methods

In the Seventh Five-Year Plan, the target credit-management method based on balances and the current-account credit-management method are used while the credit-management method based on turnover in the case of special credit accounts was omitted in the new guidelines to simplify computer work.

The new guideline does not specify the credit-management method to be used nor does it specify their mutual proportions. But it is clear that with the active restriction on granting credit promulgated by the principles governing the bank's exchange policy in the Seventh Five-Year Plan targeted, credit management based on balances where enterprises are purchasing supplies with their own resources and the bank by granting credit for supplies already paid for in reality replaces the enterprise's own resources invested in supplies is the preferred method. Moreover, it is not easy to make credits difficult to get as the active credit restriction policy advocates or makes the granting of credit contingent on the fulfillment of certain conditions when the current-account credit-management method is applied.

Therefore, in the Seventh Five-Year Plan the current-account credit-management method will probably find no greater acceptance than is currently the case and will be applied primarily in branches interested in maximizing their supplies but lacking the resources to finance their purchase with their own means. But in any case, the current-account credit-management method should not be corrupted by depriving it of its "self-serving" elements and grafting on it targeted credit-management elements alien to it.

Therefore, the current-account credit-management method must be accepted for what it is, with its advantages and shortcomings. Its advantage is that it is simple and ensures the utmost utilization of the enterprise's own means, which in conditions of transition to the ABO [Automated Bank Operations] system is important. The drawback is that the bank finds it difficult to determine to what extent the granting of credit assistance, where the potential flouting of the stipulations of the credit guideline is not considered, and whose amount is not evident from the credit account when the current-account credit-management method is used, plays a role in transgressing potentially against the approved credit guideline. Further, the bank is unable to foresee unfavorable development of the supply situation from its credit statistics because in current-account credit-management the credit for the purchase of supplies is part of an anonymous overall credit.

For purposes of the Seventh Five-Year Plan, some adjustments were made in the current-account credit-management method due partly to transition to the ABO system and partly also to the need of increasing the bank's influence and control over some credit accounts when this method is used. While the application of the current-account credit-management method is required in the case of selected transactions outside the current account on condition that credits granted for these transactions were exceptionally allowed to merge with the current account credit, now all current account credits are being granted with only exceptional permission to grant credit for transactions outside the current account. Setting a limit which cannot be exceeded was abolished and drawing against a current-account credit in excess of the set limit has become possible for a much longer time essentially until the start of repayment of the credit beyond the set limit.

Credits for Operating Funds

For the Seventh Five-Year Plan, no changes were made in the area of operational-credit management which should be addressed in this article. Here the lack of uniformity of stipulations governing individual categories of operational credits persists, weakening essentially both khozraschet and the effectiveness of credit as an

economic tool. From the khozraschet viewpoint, the enterprise's interest in the economic and effective utilization of all categories of operating funds must be enhanced, something which can only be achieved by forcing enterprises to participate with their own resources in financing any category of operational funds and thus earn money for operational purposes. Enterprises without means for operational use should limit their claims to operational credits. This correct principle applies only to the purchase of supplies (not all) while supplier claims are fully covered by credit as the exclusive source of financing; future expenditures are likewise covered in full by credit (not counting so-called other resources which are negligible and which in any case can never be used to cover expenditures as they come due) as well as building-site equipment and uncompleted uninvoiced production goods which likewise must rely on bank credit (in excess of investor payments). The GDR solution mandating a proportional contribution by enterprises to all operational funds continues to be the ideal solution to this problem for the Czechoslovak State Bank.

In our country in the Seventh Five-Year Plan, the introduction of a mandatory proportional contribution to operational funds by enterprises is being considered only for the purchase of supplies. The proportion of the borrower's contribution is set at a level where the credit also covers the permanent requirement of supplies; therefore, the contribution does not become available as supplies are used up but remains partly permanently tied up in the revolving operating funds. Therefore, gradual paying off of the credit cannot be used for control purposes to determine how supplies are passing through individual stages of the reproduction process and how the supply situation is developing. An imperfect substitute mechanism must be created for the purpose of control, using selected supply items which carry weight and from whose turnover the bank can assess the overall efficiency with which supplies are being managed. In the current five-year plan, in view of the well-known balance of payment problems, emphasis is being placed in this respect on the control of imported supplies and supplies designated for the production of export goods.

The establishment of a tie between the revolving fund and the development fund represents a positive development. Mandatory transfers between these funds on instruction by the bank are designed to prevent the long-term whittling down of the flow of supplies and at the same time stimulate the reduction of the volume of supplies and accelerate their turnover time in a matter of days.

By introducing new conditions for granting credit for the purchase of unneeded supplies, the bank will endeavor to induce enterprises to separate supplies which are not being used and offer them to sales organizations or producers or dispose of them in some other way.

Consolidation Credit

In addition to credits for planned needs, for a number of years the bank has been making available, so-called credit aid to tide enterprises over a money squeeze which either was not of their making or even where enterprises were at fault but where the squeeze was only temporary and demonstrably could be liquidated.

The abolition of budget subsidies and the need of enterprises for greater reliance on their own means created the need for consolidation credits as a long-term credit

assistance to be granted where neither available assets of enterprises nor the financial reserves of VHL's or central organs could reestablish financial equilibrium and where the deficiency could not be made up by traditional short-term loans.

At issue are primarily cases which could have severe deleterious repercussions for the national economy and which cannot be resolved merely by financial assistance but require a coordinated effort of the respective economic ministry, the bank and the government organs involved. In such cases, each of these organs must contribute to the permanent restoration of the enterprise to solvency and, in addition to financial assistance, implement measures for comprehensive rationalization and modernization by transferring production programs, specialization, etc., which would result in improved profitability of the enterprise and enhance its ability to use credit more efficiently.

The VHL or organization applying for a consolidation credit must submit to the bank an analysis of the causes of the financial disequilibrium with a balance sheet of resources and needs demonstrating the need and ability to repay the loan, a consolidation plan listing specific measures, deadlines and personal responsibility guaranteeing the restoration of the financial health of the enterprise, including the imposition of monetary penalties in case the consolidation plan falls short of fulfillment. The consolidation plan must demonstrate that improvement in meeting the criteria of efficient use of credit and the quantitative and qualitative indicators of the tasks of the economic plan will be achieved by the end of the Seventh Five-Year Plan.

Before granting consolidation credit, the bank, in cooperation with the respective ministry, will carry out an indepth analysis of the causes of inefficiency and low profitability of the enterprise to assess the chances of the consolidation plan to bring about improvement.

In granting the consolidation credit, the bank has the right to ask the respective ministry to establish at the VHL a consolidation commission including representatives of the bank, other interested institutions and the party organs involved. All important remedial measures would have to be approved by this commission which otherwise would not be responsible for managerial decisions by the VHL, its obligations and duties.

Since consolidation credit is intended as assistance to the VHL after it has exhausted its own means, the VHL must specify the distribution of the consolidation credit to its individual organizations. The credit carries a 12 percent interest rate as a credit with undesirable effect on exchange stability leaving the ministry the option of reimbursing the VHL partly for this high interest rate where the consolidation plan has been successfully carried out.

Investment Credit

Some new elements are being introduced in investment-credit management, elements which aim at a more efficient application of credit and exert pressure on the entire management system to improve the efficiency of capital construction. Substantive changes in credit management concern primarily the formation of the development fund in some branches; a separate chapter addresses this topic. The credit-management measures are based on the concept of active use of credit in the entire

reproduction process of means of production; special emphasis is placed on the active application of credit following the completion of the capital project, including the newly introduced differentiation in the basic rate of interest depending on the timely meeting of construction deadlines and the attainment of envisioned indicators; this aspect is also dealt with in a special chapter.

The bank already involves itself deeply in the preparatory stage of investments, which frequently is vitally important for their smooth implementation later on and the final success of the capital project; the bank examines especially closely the efficiency of the proposed investment, the reliability of needed supply deliveries and design services, availability of labor, potential sales prospects, etc. In present conditions, special attention must be paid to an assessment of the impact of the capital project on foreign relations and the balance of payment. Therefore, a condition for granting credit is assurance of the payback of imports, availability of foreign currency for the necessary imports, assurance of other needed deliveries and an assessment of the export prospects of the new capacities, including an assessment of actual future exports by means of parametric criterial analysis.

In dubious cases, the present stringent economic conditions render it necessary to take a tougher stand and reject a credit in accordance with the principles of active credit-policy restrictions. The bank will draw conclusions consistently from the information gained by its participation in the preparation of capital projects and refuse to grant credit for projects which are not efficient or which have other serious drawbacks.

During construction, the bank will grant credit flexibly even above the level agreed on for the current year where accelerating the completion of a project is desirable whereas in cases where completion of a project suffers from delays and the deadline for the start of production is past or in case of other infractions, the bank will impose interest penalties on both the investor and suppliers and in the case of grave infractions limit or even put a stop to credit to bring about an airing of the difficulties and a rapid resolution of the problems.

It became necessary to review credit policy specifically in cases where construction budgets were exceeded and construction deadlines were not met and to institute remedial measures to be carried out in management, planning and financing of investments with a view of inducing in such cases enterprises to finance such projects out of their own means, and where a development fund exists, primarily out of such a fund. In accordance with CSSR Government Resolution No 23/1979, the bank has adopted a procedure for projects with cost overruns as early as 1979 and will permit the use of credit to pay for unbudgeted expenditures only in quite exceptional cases.

The current credit practice will become more stringent where construction deadlines are not met; in lieu of the current exhaustion of the credit with the sole imposition of an interest penalty, no credit will be granted in the future when a deadline is missed, which will force the enterprise to use its own money primarily from the development fund. In accordance with the partly updated invoicing regulation (Regulation No 3/1980 of the Code of the Federal Ministry of Finance) a new procedure will apply and expenditures for labor and supplies will not be paid out of the credit in cases of missed construction deadlines. In such cases, the

bank will authorize the exhaustion of the credit for payment of the "final" invoice because withholding credit then can no longer help solve the construction problems or mobilize resources. In such cases and also quite exceptionally in other cases of missed construction deadlines or budget cost overruns, where the bank authorizes drawing on credit, branches which have development funds must pay such credits from development funds which the organization would have to use to finance the project if it could not draw on credit exceptionally.

A new, or at least strongly emphasized, postulate for granting capital credits is the special attention which must be paid to the impact of capital construction on the area of foreign relations.

A new departure is the consistent application of the bank's measures resulting from its function as a grantor of foreign exchange for capital projects to conditions governing investment-credit agreements on the purchase of machinery and equipment abroad and also to projects using imported equipment. These measures will facilitate supervision of the fulfillment of conditions and obligations assumed by the bank and permit it to impose penalties in case of nonfulfillment. Control of efficient utilization of import credits will apply to imports exceeding Kcs 500,000 in delivered value and special attention will be paid to investments procured with refundable foreign-exchange credit where not only the timely repayment of the foreign-exchange credit will be monitored but also the steady inflow of promised foreign-currency earnings. Penalties are routinely imposed in all cases where imported machines are not brought into production within set deadlines and where investments bought with foreign exchange are improperly used.

Some problems arise in connection with the introduction of new measures; in branches which are establishing development funds, the proportion of credits in this investment category is being reduced in accordance with the principles governing the formation and use of development funds which contrasts with the marked increase in the use of credit in the financing of investments from the construction fund (projects with budgets exceeding Kcs 2 million). In negotiating credit relations for 1981, preliminary findings brought up the problem of the feasibility of allocating higher construction credits to individual projects in accord with economically sound principles governing investment-credit management. The granting of credit to finance individual projects is—as in the Sixth Five-Year Plan—contingent on the projects' contribution after they start operations (liquid profits and depreciation according to the schedule contained in the economic part of the project documentation are considered to be contributions) until the credit is repaid (construction credits are granted for a maximum of eight to 12 years). While this maximum available credit limit was not always fully utilized and the bank is also willing to raise credit for projects under construction with low credit participation, it was as yet unclear at the time of writing of this article whether even this measure would resolve fully and satisfactorily the problems arising from increasing the proportion of credit in financing projects whose budget exceeds Kcs 2 million.

Differentiation of the Basic Interest Rate as a Function of Meeting Construction Deadlines and Planned Indicators

Construction project credit-interest rates are being reset not by fixed rates but by a range (in most branches from 4 to 8 percent) and the differentiation of the basic

interest rate when construction deadlines are met and planned indicators are fulfilled in time is rewarded by an interest rate lower than the mean of the interest rate range; when construction deadlines are not met and planned indicators are not fulfilled, then the basic interest rate is raised above the mean. This differentiation of the basic interest rate has taken effect from the start of construction projects which are to be completed in 1981. The uniform and mandatory application of differentiation of interest rates together with several assessments of the impact of new capital investments is designed to emphasize the investor's responsibility not only for the course of construction but also for its eventual results by using interest rates as a tool which, because it is tied to the respective capital assets, retains its effectiveness even after the completion of the project. In contrast, in the case of building-construction credits, interest-rate differentiation is not being applied on the basis of the fulfillment of general or partial criteria governing the granting of credit as a measure of the standard but on results of economic activity of the enterprise as a whole.

The new rules governing interest rates do not convert them into penalties or preferred interest rates and do not tie them directly to the amount available for the payment of wages. The changes disregard the intensity of the positive or negative difference from the plan (project) and merely express whether the envisioned (planned) efficiency was attained within the time limit foreseen in the plan and whether, therefore, the credit granted for the respective project was being used efficiently or inefficiently.

The restructuring of basic interest rates does not exclude, but indeed postulates the use of preferred interest rates as a reward for the attainment of better-than-planned results or for putting existing production to better use, such as for export, the domestic market, the improvement of fuel and energy balance and other purposes and the use of interest penalties primarily in case of marked failure to fulfill planned outputs and indicators when a project which received a foreign-exchange allocation for imports has not met planned indicators, etc., while with frequent evaluations preferred interest rates and interest penalties can be used as a stimulant for enterprises to continue in their successful effort to exceed the plan or reduce waste in operating new capacities.

In deciding on the new measures, their stringency and difficulty of application in preparing and evaluating a given data base were considered and weighed. There is a certain additional amount of work involved compared with the current procedure where no such assessment is made, but this extra work is not more time-consuming nor administratively more exacting. The bank's measures are coordinated with the final technical and economic evaluation of the completed projects which, in accordance with the updated regulation on construction-project documentation now under preparation, will be carried out for two years following completion of the project. Therefore, approximately a year after completion of the project, the bank will determine whether production meets planned expectations and a year later will carry out the final evaluation to assess together with additional participants in the final evaluation of whether the planned inputs and indicators were fulfilled; after another year, the bank will verify whether the investor is meeting the goals and fulfilling the assigned tasks to improve the performance of the new capacities proposed after the final evaluation (when inputs and indicators were not met) or assess the documentation presented by the investor requesting continuation of the

preferred interest rate (when everything was in order in the final evaluation). This three-stage evaluation model is not mandatory--in case of projects not involving production, one or two evaluations will be sufficient--but in the case of key projects with long startup times which yield each year a new computerized database evaluation even the drawing of conclusions can also be repeated several times.

The question why the bank should place such emphasis on the attainment of planned outputs and indicators in evaluating the return and efficiency of the credit granted when enterprises, with rare exceptions, are paying up the credit within set limits was also a subject of discussion. While the inclusion of credit payments in the financing plan of capital assets on the debit side and thereby the assurance of payback of the credit from resources of the construction fund is a natural prerequisite of the amortization of the credit payback as in granting credit, the bank does not simply take into account only narrow financial criteria, such as, for example, the soundness of resources used to finance a given project, etc., but makes credit contingent on the assessment of the investment's efficiency and directly dependent on the future return of the given investment. Similarly, the bank cannot reduce the payback of the credit to only making sure of payments to balance the financing plan of the reproduction of capital assets but judges payback and the efficient use of credit on the basis of a comparison of the true overall return of the investment with the expected return when credit was granted. Emphasizing the payback of the credit as a function of the efficiency and return of a given investment credit naturally does not mean that the ability of the enterprise to pay off the loan, considering its existing indebtedness and its continued need of means of production, is being underrated. But including the payments into the financial plan whose balance can always be reestablished by redistribution processes is not adequate even for this purpose. It is assumed that, after contributions from profits have been turned into the state budget by 1 January 1983, the bank will set down criteria for the payback of credit from the viewpoint of enterprises as units.

Credits for Capital Projects Financed from the Development Fund

The establishment of the development fund is a fundamental measure designed to extend the *khozraschet* interest in management results to the capital construction sphere and put an end to past practice which regarded the achievement of the material investment limit as the key problem while taking financing for granted. The scope of this category of investment credit also corresponds to this new concept. In difference to the old requirement of financial "assurance" of the material limit, the dependence between the procurement of capital and the creation of the development fund and the credit granted excludes the possibility of viewing credit as a balancing resource to which enterprises are entitled but, on the contrary, requires granting credit selectively for efficient projects only.

Credit is being granted for projects which essentially meet the conditions governing the granting of credit for rationalization measures, such as the purchase of machinery and equipment for the purpose of modernization, fast payback actions, the purchase of machinery and equipment for rationalization programs and the timely implementation of the tasks of the state plan for the advancement of science and technology and for efficient total overhauls. The bank will grant credit in excess of the agreed amount in korunas to finance the purchase of imported machines

and equipment bought with a repayable foreign-exchange credit from respective reserve funds of the state plan. The interest rate of this credit is 4 percent, i.e., 2 points below the 6 percent interest charged routinely in industry.

The proportion of the credit in financing limited capital investments (i.e., machines and equipment not included in the budget and projects with budgets not exceeding Kcs 2 million) is about 30 percent, a proportion which will probably be slightly raised in coming years because in calculating the financial requirements and resources for the limited-investment sector, credits of the order of 30 percent continue to be needed and the payments to repay credits for limited investments will have to be reflected in future financial requirements. In connection with the application of the principle of granting credit only for efficient limited investments meeting the conditions for the granting of preferred interest rates, the question arises whether the condition requiring that at least 30 to 40 percent of limited investments granted meet stipulated efficiency criteria is not too stringent. Such views cannot be supported because the proportion of only the advanced modernization and fast payback actions which the state plan specifies for the year 1981 is on the average about 47 percent. In addition, other credit entitlements offer a good chance to investors assigned tasks involving advanced modernization and fast payback actions by the state plan to apply for a credit of less than 30 percent.

In contrast, for a considerable number of investors the sole specified volume of advanced modernization and fast payback actions corresponds to the preliminary credit estimate for limited investments or exceeds it. Investors failing to fulfill the specified assignments will have their credit correspondingly reduced by the bank which, using its economic tools, applies pressure to induce the investor to a more purposeful and preferable use of available resources in their advanced investments. In this way, the bank is achieving by economic pressure the same effect it achieved in the past (and in branches which even today do not have development funds) by blocking the limit of the volume of work and deliveries.

In the case of operational-credit limited investments (the same as credits for machinery and equipment and also projects with budgets not exceeding Kcs 2 million) for which there are no development funds, they are subject to interest-rate differentiation contingent on the degree of fulfillment of general and partial criteria governing credits. The partial credit criteria applied will be indicators characterizing the quality of managing capital assets, primarily the efficient use of machines, as one of the basic indicators of production and economic efficiency used in the reproduction plan of assets. Other indicators are also used, in the engineering sector, for example, it is the filling of machine-operator workplaces. Thus the bank will implement interest rate differentiation comprehensively for all investment credits (excepting credits for projects with budgets exceeding Kcs 2 million) depending on the quality of management of enterprises and in addition use interest-rate penalties and preferred interest rates in the case of individual credits according to the degree of fulfillment of conditions on which the credit was granted by credit agreements concluded as a rule for complete sets of machines with predictable output.

In the course of the year, the manner of using credit for limited investments was discussed primarily for cases where the creation of resources for the development

differently from what was expected. In such cases, the rule is to permit the investor to draw credit in the course of the year in the amount agreed on in the credit protocol for the current year as long as the scope of the credit is fully and efficiently implemented as has already been mentioned. Where management is efficient and the creation of resources for the development fund by the enterprise exceeds the planned goal, the investor decides whether he will exhaust the credit fully. In contrast, enterprises which fail to accumulate resources on their own will not have the missing resources replaced by a bank credit because to do so would undermine the incentive of enterprises for creating funds of their own. The question was weighed as to whether drawing credit in the course of the year should depend directly on the successful creation of funds by enterprises, i.e., whether credit should be cut off automatically in case of failure by the enterprise to accumulate resources for the development fund and inversely whether credit should be increased automatically and proportionally with increasing resources in the development fund, in other words, whether the relationship between availability of credit and the formation of a development fund should be governed by a norm. This proposal was judged to be impractical because it would be difficult to administer, moreover, the automatic adjustment of credit lacks the necessary logic in certain situations—it makes no sense to grant additional credit automatically when an enterprise succeeds in accumulating resources in excess of the goal set for its development fund (and thus de facto also free its own resources to the level of the planned limit of the plan) or to create additional difficulties in the procurement of planned and contracted capital deliveries where enterprises fail to accumulate their own resources in the course of the year is likewise unjustified. The adopted concept fully respects and reinforces the enterprises' interest in accumulating resources for their development funds while for the investor the amount of credit agreed on for the year represents an assured source of means available for the procurement of new efficient assets.

Another problem is how to use and organize credit granted for limited investments in the course of the five-year plan. After specifying and processing the Seventh Five-Year Plan, the bank will close the credit protocols and delimit the allocation of funds available for limited investment credits for each year. While these amounts will be considered approved if the planned tasks are fulfilled and credit criteria met, organizations will not have an automatic claim to these credits nor will they represent fixed amounts which cannot be exceeded.

In subsequent years of the Seventh Five-Year Plan beginning with 1982, the impact of consistent implementation of the restrictive stipulations of this credit policy will become increasingly evident.

The bank will grant enterprises with competent management fulfilling credit criteria comprehensively from the beginning of the five-year plan credit for limited investments even beyond the limits agreed upon in the credit protocol for the respective years of the Seventh Five-Year Plan as long as they can come up with entrepreneurial projects with fast-payback-promising assured returns. On the other hand, poorly managed enterprises using credit inefficiently will have previously approved skeleton credits curtailed in individual years. The adjustments of and changes in the skeleton credit protocol for the Seventh Five-Year Plan negotiated with the bank which will participate in the planning work for the respective year will be entered in credit protocols for individual years beginning with 1982 to enable investors to take them into account when specifying their requirements to their suppliers.

BRIEFS

NEW COAL DEPOSITS DISCOVERED--Geologists have discovered bituminous coal deposits near Plzen, close to the village of Chotikov. Work on the main mine shaft is already expected during the Seventh Five-Year Plan [1981-1985]. Actual coal production is slated for 1990, currently estimated at 450,000 tons of coal per five years. The mine should produce coal for 50 years. [Bratislava PRACA in Slovak 3 Aug 81 p 1]

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NEW ECONOMIC REPORT REVIEWED

Causes of Economic Problems Analyzed

Warsaw ZYCIE WARSZAWY in Polish 13 Jul 81 p 5

[Article by Henryk Chadzynski: New Government Report (1) "What Actually Happened?"]

[Text] The disorganization of the market, which is taking up so much of our time and effort in obtaining goods and is ruining our budgets, is the best indicator of the state of our economy. However, people are asking themselves: What actually happened that this crash, which some had quietly predicted for so long, came so suddenly and has gotten so terrible big? Why is it still not possible to stop this progressive disintegration of the economy? When will the anticipated improvement finally occur? The government report on the state of the economy was supposed to answer most of these questions. Its first version was criticized in the Sejm and by the mass information media. The dispute over the report resulted not only from the fact that people are very unwilling to accept bad news, but mainly because the description of the events was not adequately substantiated. It did not indicate the mechanisms or point out the forces which led to this state. Nor did it show the entire evolution of the growth of the earlier disparities, which originated during the last decade and intensified most recently through an accumulations of various factors.

The president of the Council of Ministers, agreeing that most of the critical comments were justified, ordered that another report be prepared and assigned this responsibility to Henryk Kisiel, who at that time was the chairman of the Council of Ministers Planning Commission. The premier also appointed an advisory group under the chairmanship of Prof Czeslaw Bobrowski. The group was composed, as we know, of the following: Stanislaw Albinowski, Wladyslaw Baka, Leopold Gluck, Jozef Pajestka, and Jozef Soldaczuk. On the basis of the previous report, the opinions of the group of experts, and also the comments of a group of scientists from the Polish Academy of Sciences under the chairmanship of Wladyslaw Markiewicz, a new document was prepared which was submitted to the Sejm for discussion.

This is a totally different report, although, as the authors say, no document of this type will satisfy all of the public's expectations, particularly those which pertain to the determination of the responsibility for socioeconomic policy and responsibility for distortions and deformation in the leadership and management of the economy and the state. These determinations lie within the competence of the proper organs of the authorities and the party. However, the accumulated material is meaningful enough to point a finger at the guilty.

Old and New Disproportions

The critical assessment of the policy and system of functioning is delineated against a broad background. The successive stages of the Polish People's Republic's economic history, according to the report, are characterized by an unbroken sequence of substantial achievements as well as an unbroken sequence of increasing growth of certain disproportions and difficulties which periodically overshadowed these achievements and led to serious tensions and the crisis. Now, for the first time, they appeared with such force as to restrict the field of selection and the search for a way out. Already this conclusion to the report indicates that the solution will not be easy and the way out of the crisis will not be short.

The problems which accumulated during previous periods were severely exacerbated in the last decade by new mistakes and difficulties on a scale previously unknown to us. We are speaking primarily of the size and structure of the foreign debt, the degree of our dependence on imports from capitalist countries, the serious deformation of the socioeconomic planning system and the relaxation of the management system.

The main disproportions affecting the state of economic imbalance pertain to the domestic market, the trade and payments balance, supplies to industry, investments, and finally, as a joint result, the financial balance and the state budget.

The scale of the shortage of goods in relation to the population's monetary receipts, or the so-called inflationary gap, is estimated to be about 470 billion zlotys this year, which is 25 percent of the net monetary receipts. But if we take into account that there already was a surplus during the previous years, then this estimate is considerably higher--on the order of 600-800 billion zlotys. This is more or less one-third of the population's monetary receipts.

The Market Collapse

The market collapsed totally in the last quarter of 1980. A number of goods became unavailable in the stores and more and more basic necessities became scarce. Because items were not consistently available, people bought excessive amounts of goods that were available and began to hoard, which is normal under these circumstances. Speculation and black market operations grew.

The factor which caused, or at least very substantially accelerated, the collapse of market balance, was the decision to increase wages and social services, a decision made during the last half of 1979 as a result of the strikes and post-strike agreements. They were made, as we know, for sociopolitical reasons and were one of the factors in maintaining social peace last fall. The report states that while the motivation behind these decisions is fully understandable, from the economic standpoint they greatly aggravated market difficulties, particularly since beginning with last August, industrial production has been steadily dropping. Market production is also declining, which is due in some measure to the shorter workweek. There was also a large drop in procurement of most agricultural products due to last year's catastrophic crop failures. Added to this was the depletion of commodity stocks in trade. By the end of the first quarter of 1980, they were one-third lower than at the end of 1979. Stocks are so low that a continuity of sales of many types of articles cannot be maintained.

The Indebtedness Noose

The profound imbalance in foreign trade and in the balance of payments with capitalist countries is illustrated by the following figures: At the end of 1980, the debt attributed to long- and short-term credits was approximately 23 billion dollars; at the end of April, the amount was 24 billion dollars, and also 1.5 billion dollars in short-term credits. At the end of 1980, the level of debt was some 3.5 times higher than the value of exports to these countries last year. At the same time, the amount of the payments due this year on the principal and interest exceeded the value of the entire year's export to these countries. In practice, therefore, all foreign-exchange receipts from export had to be used to cover debts and as a result, imports for current needs of the economy had to depend on the procurement of new credits. This, as we know, caused difficulties in payment of current obligations and in imports.

These difficulties, especially the shortage of foreign exchange in cash, needed to import many commodities that cannot be purchased on credit, and also the lack of funds needed for cash advances on credit purchases, were aggravated by the reduction, during the last 10 months, of exports of coal, copper and silver, and also the reduction of exports of products from other branches of industry. During the first 4 months of this year, exports to capitalist countries were down one-fourth as compared to the same period last year. The shortage of foreign-exchange funds for imports to maintain industrial production at last year's level, is estimated at 2.5-3 billion dollars for the current year. This is the estimated shortage, notwithstanding the aid received in the form of additional deliveries and consumer articles from the CEMA countries, and especially the USSR.

The disproportion between industrial production capability and material supplies is large. The shortage of coal is particularly acute. It may, for production purposes, amount to 12-15 million tons, i.e., 10-12 percent of current consumption for these purposes, irrespective of the lack of coal for export. This has caused a drop in the production of many products, especially in the cement industry and other sub-branches producing construction materials, and in the chemical industry. Coal stocks in many power plants fell to a critical level. The shortened workweek played a large part in reducing the extraction of coal and other domestic mining raw materials. It is estimated that over the entire year, coal extraction may be about 40 million tons less than during the peak 1979 year. Shortages of domestic and imported raw materials interrupt production continuity, disturb co-production ties, and consequently cause production declines in plants that are linked together by co-operation. The deficit in electric power production has caused acute problems in recent years. During the autumn-winter peak period of 1980, the shortage amounted to 4,000 MW, which was about 16 percent of power plant capacity.

A Hole in the Budget

In the sphere of investment, a disproportion is growing between the funds needed to continue building the installations that have been begun, and the ability to complete them. At the end of 1980, the value of funds expended for investment projects that have not been completed and do not bring any returns amounted to 800 billion zlotys. Of this, 60 billion zlotys was the value of machinery and equipment already purchased and sitting on the building sites. To complete these investment projects,

about 1,300 billion zlotys must be spent, i.e., the equivalent of 4-year outlays for investment construction. Under these conditions, at the end of 1980 it was necessary to make a decision on halting work on over 1,000 investment undertakings, including 49 large investments which, as a rule, have a cost-estimate value of over 3 billion zlotys. The investors were late in making the decisions. Further reductions will have to be made. In any case, because of investment policy errors, a large part of the installations could not have been utilized due to supply problems and also due to lower demand for capital goods.

The condition of the state budget reflects the condition of the economy. The lack of financial balance is caused by the fact that expenditures are growing more rapidly than incomes. Management efficiency in the enterprises has deteriorated. Insufficient cost reductions, or cost increases, reduce the size of the financial accumulation. This main source for financing budget expenditures dropped from approximately 468 billion zlotys in 1978 to approximately 296 billion zlotys last year, i.e., by 36 percent. For the first time since 1949, there was a budget deficit in 1980 in the amount of 26 billion zlotys. It is projected that for the current year this deficit will be 120 billion zlotys. After several months, it is apparent that the budget incomes will not be implemented and that expenditures will exceed assumptions, due to the faster-than-projected growth in wages, social services and certain expenditures in the social and cultural sphere. This financing without coverage of even-substantiated demands and stipulations, further accelerates inflationary processes.

The accumulation of all these disproportions caused a radical deterioration of the situation, on a scale which society did not expect, and which, as the report states, was the inevitable consequence of the action of so many negative factors. We have drawn several of the most significant examples from this part of the report, which describes the manifestations of the present crisis. In the next article, we will discuss the part of the report that deals with the causes of the crisis.

Origins of Economic Crisis

Warsaw ZYCIE WARSZAWY in Polish 14 Jul 81 p 3

[Article by Henryk Chadzynski: New Government Report (2) "What Caused the Crisis?"]

[Text] An answer to the question posed in the title of this article is by no means easy. It is not possible to determine a single cause. A whole series of causes must be shown, as well as the interactions between the principles of economic functioning, economic policy, and the mechanisms of political life in general. The report's authors begin by describing the deviations from principles of democratic centralism in the functioning of political institutions and the ruling of the authorities. They also emphasize deviations from the principles of a socialist planned economy that created the conditions whereby it was possible at different levels, particularly at the central level, to make arbitrary and incompetent economic decisions, all of which added up to an erroneous and incoherent economic policy. The report also contains an assessment of the so-called strategy of dynamic development implemented since the early 1970's. It was based on striving to overcome the stagnation that occurred in the late 1960's by pushing investments which were increasingly financed by foreign credits. All of these matters, for the most part, have already been the subject of various analyses. As the report says, the

economy's objective need was to implement the strategy of intensive development, by increasing labor productivity and management efficiency, i.e., by more rational utilization of production resources. Meanwhile, in practice, operations were conducted with the aid of large investment outlays and a large increase in employment, thus, in reality, with the aid of extensive methods.

Wrong Goals Chosen

Irrespective, however, of these general assertions, the report asks the basic question: Why did not the enormous funds obtained through foreign credits bring the anticipated returns and, instead of improving the economy, they brought about its deepest crisis? The basic reason was improper utilization of these funds, i.e., allocating them for purposes which under conditions existing at that time, could not ensure the desired results. Moreover, deformation continued to increase in an already inefficient structure of economy, and industry, in particular.

The report states, in so many words, that as a result of the strong influence of pressure groups, mainly representatives of heavy industry and particularly metallurgy and various branches of the machinery industry, the overwhelming portion of investment funds and a large part of the foreign-exchange funds were assigned for the development of those branches. At the same time, because development in the newest branches in Poland was at a low level, allocation of such large funds for heavy industry had to be at the expense of the newer fields, which further worsened the structure of the economy.

In the 1970's, over 200 billion zlotys was invested in the expansion of coal mining. But no mechanisms were created at the same time which would have encouraged the economical consumption of coal in the country, and this reduced the export potential. In spite of the views of many Polish experts, and Soviet experts, too, construction of the Katowice Steelworks was also begun at that time, and afterwards its capacity was enlarged. To date, 175 billion zlotys has been allocated for this purpose. In return, the potential for production of medium and heavy sections, mainly for investment needs, increased, while the lack of quality products for the newest subbranches of the machinery industry became more acute. Meanwhile, there are enormous surpluses of simple metallurgical products on the world market, with the result that we are exporting them at low prices and buying quality products at prices three to four times higher than we are obtaining from exports.

Aspirations and Results

The report also states that considerable funds were allocated for development of the automobile industry. They brought positive results primarily in the domestic market. But satisfactory returns could not be obtained in exports due to competition from the largest powers on the world market. Pushing exports of automobiles of uncompetitive quality and poor workmanship could not and did not bring satisfactory returns. Large outlays for starting up and developing the production of color television sets were similarly increased. This satisfied the aspirations of the machinery industry itself, but it did not satisfy the most pressing social needs.

Neglect in the development of energy, the chemical industry and a number of subbranches that were intended to use domestic raw materials, was allowed to deepen. No action was taken to create subbranches specializing in export production.

These examples are followed by this conclusion: As a result of this investment policy, /the structure of Polish industry in 1980, from the standpoint of its ability to satisfy needs, exploit domestic raw materials, and efficiency, is worse than it was in 1970/ [in italics].

The Meanderings of Agriculture

Agriculture is an example of errors in other fields. Despite proclaimed support for its development, as a result of faulty shaping of the structure of industrial production, there was stagnation, even regression, in deliveries of the basic sources of production which determine land productivity. Furthermore, private farmers were able to obtain a smaller portion of these resources than their participation in the entire final farming production would indicate.

During 1975-1978, deliveries and consumption of artificial fertilizers, plant pesticides and construction materials in peasant farming were reduced. Moreover, in accelerating the development of state farming, insufficient attention was paid to high production costs and uneconomical management in many state farms. One of the signs of this policy was the drastic reduction, during 1974-1976, in the sales of land--the most valuable production source--to peasant farmers.

The report also mentions that some of the small-size peasant farms stopped animal production for their own needs due to reduction in fodder sales from state stocks. Conversely, these farms became buyers of animal products in cooperative trade, which made the market situation still worse. The document also calls attention to the bureaucratization of state and cooperative agencies and also to other factors, so as to again reach the sweeping conclusion that errors in agricultural policy caused the long-term stagnation which was exacerbated for several years by poor weather conditions. At the same time, imports of farm products increased. These imports, aside from the investment policy, caused the large growth of indebtedness to capitalist countries. In addition, as distinct from investment credits which could be explained by developmental purposes or the desire to obtain exports for payment of the debt, expenditures for imports of grain and fodder increased the indebtedness for current consumer goods.

During 1971-1980, 61 million tons of grain and fodder were imported, i.e., about 33 percent of the domestic harvests of four grains obtained during this time. These imports cost 8.5 billion dollars. The decisions to import such large quantities of grain and fodder were one of the results, the report concludes, of the policy of undue acceleration in growth of personal incomes, in relation to the country's economic potential. This was particularly important because the growth in purchasing power occurred during a period when animal production was declining and meat market problems were growing.

Elimination of Small Industry

As an example of the third wrong direction, the report cites far-reaching reductions, and to a larger degree, administrative shut-downs, in small industry. The takeover by a key industry of small plants meant that in most cases they stopped producing for the market (e.g., termination of production of medicines, manufactured previously in cooperative plants, and also termination of small-scale processing in the

village, such as farm grinding mills, pork butcher's shops, dairies, and brickyards). Despite official declarations, the development of crafts and small private production and service plants was also restricted. All totaled, this brought many negative results. It also led to a breakdown in the natural, in a new industry, co-production among large, medium and small plants.

The report also contains a number of statements pertaining to the exorbitant foreign debt, due to which an increasingly smaller part of receipts from export were, after covering amounts due, available for financing current imports. Whereas in 1976, after making debt payments, approximately 64 percent of receipts from exports were left over for imports, in 1980 this amounted to scarcely 18 percent.

The Vicious Circle

The crisis did not appear suddenly. It began with the exorbitant investments that resulted in the indebtedness, initially for investment imports and then for market supply imports. The incorrect structure of these investments, the inappropriate imports, and the inefficient utilization of these imports, meant that the growth of production that was indispensable for export requirements was not possible. This also made it impossible to service the debt and to satisfy domestic market requirements. Insufficient imports resulted in a lack of supplies to the plants, thus making it impossible to fully utilize potential. Co-production ties were broken and deliveries to the market declined. The drop in industrial production, especially the drop in coal and raw materials production that brought with it various negative effects, reflected adversely on the size of export and also, because of the simultaneous growth in the people's personal incomes, it led to the collapse of the market.

The report also names causes resulting from the deformation of the control system; lack of collegiality, despite appearances, in making decisions; lack of broad consultation; and scientific-expert reports that were often prepared dishonestly, simply to confirm a decision that had already been made. Because many of the decision-makers were incompetent, they made decisions that fulfilled the aspirations and demands of ministerial, regional and subbranch pressure groups. Frequently the propaganda aspect was considered above all else; neither the rationality of the demands set forth, nor the actual capabilities of the economy, were examined.

The document also mentions the erroneous system solutions in management and in the economic-financial system, and especially the undermining of the role of money and cost-effectiveness in the functioning of enterprises.

This was associated with excessive directivity and with those solutions which enabled enterprises to obtain benefits as a result of ostensible activity and not actual economic improvement. Wage policy became something apart from production and financial results. The people began to falsely believe that the level of wages and other receipts is dependent only on the decisions of the authorities (made of their own free will or under the pressure of demands), and is not dependent on labor productivity and sales of goods and services.

We have cited here only a number of statements from the report on the causes of the crisis. It is proper here to cite the report's conclusion, /that the causes of the crisis do not stem from structural principles of the socialist economy, but on the contrary, from the violation of these principles/ [in italics], from not observing objective rules, from ignoring economic laws and not utilizing the potential of a socialist system, and, above all, of a socialist planned economy.

9295

CS0: 2600/273

MINISTER DISCUSSES FOOD INDUSTRY DEVELOPMENT

Warsaw PRZEMYSŁ SPOŻYWCZY in Polish No 2, 1981 pp 43-45

[Article by Jan Zaleski, minister of food industry and purchases: "Problems and Trends in Development of the Food Industry against the Background of the Current Food Economy Situation"]

[Text] Industrial food production depends primarily on the level of vegetable and animal-stock purchase. Due to an exceptionally unfavorable situation in agriculture, we purchased from the 1980 crop only 55-65 percent of the planned plant stock: grains, sugar beets, rape, fruits, tobacco, while the purchase of industrial potatoes amounted to less several [10 to 20 percent] with an about 40 percent fulfillment of edible potatoes. The limitation of vegetable-stock processing has essentially reduced the quota of traditional feed ingredients, such as: beet pulp, molasses, potato pulp, alcohol distilling residue, mill cake, malt residue, which renders the difficult fodder situation in agriculture even worse.

Serious consequence of limited purchase is a reduction in production of several consumer goods, particularly, sugar to approximately 1.1 million tons, potato starch to approximately 15,000 tons instead of the planned 220,000 tons, products based on potato starch and syrup and first of all of candies, puddings, jellies and also of fruit and vegetable products, beverages, beer, powdered milk and condensed milk. Due to the reduced supply of potatoes to the urban population, an increased demand for flour, bread, macaronies and cereals occurred. The reduced purchase of animals and their slaughter at lower weights results in a deterioration of the animal fats balance, which increases the demand for butter and vegetable fats. These changes in the production and demand for foodstuffs which result from the agricultural situation, together with the limited processing capabilities of the industry, particularly in the production of flour, cereals, margarine, oils and bread, create certain difficulties on the food market. These difficulties were intensified by the considerable increase in earnings by the urban population and by the absence of attractive market offers in other than the food market.

In order to counteract the food-market tensions, there was a radical limitation of exports along with an increase of food and fodder imports, as well as better utilization of staples during their industrial processing into basic articles of food.

During 1980 and the first three quarters of 1981, exports of sugar, rape, rape oil, malt, frozen fruit and produce have been dropped and the export of meat and meat products has been greatly limited. Import of 50,000 tons of meat and over 70,000 tons of lard, over 100,000 tons of sugar and large quantities of potato starch, tobacco, tomato concentrate and numerous provisions have been secured, predominantly from countries of the socialist block, within the framework of neighborly cooperation. Import over and above the planned quotas of rice, oils, cocoa bean and citrus fruit is being worked out. Thanks to the help of the USSR, the import of grain fodder will be increased by another million tons.

Until production is obtained from the 1980 harvest, the lowest possible decline in basic vegetable supplies to the market and the most rational way of utilizing sugar supply, imported starch and other products and intermediate products must be assured. Much is expected from confectionery industry and food concentrates, fruit and vegetables and also sugar and potato industries.

Assuring the continuous delivery of flour, noodles, cereals and flaked cereals is a task of particular importance. In order to satisfy the increased demand for bread flour, the course of mill production has been changed to produce more higher quality flour. Additional cooperative farm mills and private mills have been included in milling service. Mill overhauls obtaining higher efficiencies have been stepped up and work in the new mills of Macice and Niewachlow.

Supplying the market with cereal and flour products requires maintaining production during several work-free days as well.

The industry is able to fully satisfy the actual consumer demand for cereals.

In 1981, in view of the shortage of raw materials, we will not expand the production of wines, vodka and cigarettes, assuming that consumption levels attained in the country are at least adequate. In practice, we will aim at reducing vodka and cigarettes sales.

The task of providing the market with meat and animal fats is more difficult. A considerably intensified purchasing decline of cattle for slaughter is to be expected. The increased grain and fodder imports and decisions undertaken about their price should create conditions for restraining the decline of stock during the period before the new harvests. The principal problem lies in maintaining the basic herd. To cope with this, an unlimited contract between farmers and the government for the purchase of piglets and young pigs has been introduced in November 1980 for the second quarter of 1981, and an intervention purchase of piglets for slaughter has been undertaken on a large scale.

To facilitate the management of the ration-card system to provide the above foods, the meat industry reduced the assortment of pork-butcher meat products and increased the supply of meat in deliveries to urban markets at the expense of pork-butcher products. This will permit saving more animal fats from domestic production. With changes in assortments, new recipes have been introduced and an essential improvement of sausage, headcheese and other smoked pluck has been assured.

The drop in agricultural production and reduced purchase of farm staples raise even more sharply the problem of an intensified struggle against every possible aspect of staple waste, with all its symptoms of losses and wastage in purchase, trade, preservation and processing. We attach great importance to these problems and we will solve them consistently, together with the interested organizations. We are waging a resolute struggle against all abuses in purchasing. We are undertaking a decision concerning respect for the farmer's time by the procurement apparatus. We have simplified considerably the classification in purchasing pigs and to some extent in purchasing cattle as well. The new price lists of beef and pork for slaughter have prices according to a simplified classification. It will remove a source of misunderstanding and abuse in contacts with suppliers.

Moreover, by broadening the network of direct farm suppliers we will simplify deliveries and, at the same time, strengthen public control at cattle and pig purchase centers. We will benefit from cooperation with associations and farmers trade unions at the level of industrial institutions and federations and services aimed at production training for farmers. We intend to strengthen the role of the contract agreement by increasing the performance discipline of bilateral commitments. We will improve cooperation with farmers and increase the range of services in the development of technical cultivations, for example, tobacco, hops and brewing barley.

Realizing the principle of closer and active cooperation of the food-processing industry with agriculture, we try to cooperate for the improvement of the fodder situation. We are undertaking several actions toward using all kinds of food industry waste for fodder. We are shifting part of molasses processing to agricultural alcohol distilleries. We are working toward full utilization of slaughter byproducts and carcasses. We are expanding the production of animal meal. Domestic production of fish meal is also on the increase. Action is being taken to secure a sufficient and regular delivery of albuminous fodder components and other important ingredients of fodder compounds and concentrates. Our efforts are not always crowned with success in time. Hence, there still are critical voices raised about the reduced efficiency of fodder, particularly in poultry breeding. We pay particular attention to these voices and are introducing departures in formulas only when there is a shortfall of some components. All introduced fodder recipes have been biologically tested. Also we are expanding the analytical potential of the State Supervision of Purchase and Food Articles Processing.

After the present difficult fodder situation in agriculture has been overcome, we will aim at basing stock production on local domestic fodder stock on the basis of a new price relationship of grain, fodder and stock production. Our target in deliveries for agriculture is to increase the participation of multialbuminous concentrates in addition to full-ration compounds.

To realize tasks facing the alimentary industry at this moment calls for the re-orientation of investment policy. By meeting half-way the social needs to satisfy the growing requirements of the food market, we will guide investment needs toward modernization and completion of initiated investments, which may bring production increments even in 1981. At the cost of 3 billion zlotys, we can obtain an increment of production capacity in market prices of 5 billion zlotys even in 1981. In 1981, a ceiling 50 percent higher than last year will be directed into

investment construction in key food industries, and these funds will be directed toward storing facilities, processing to fit the market and development of by-products and waste utilization.

In the next years of the five-year plan we intend to secure:

--in the milling industry, an 800,000 ton per year increase of wheat flour capacity and stepped up production of cereals, oatmeal and noodles, it requires modernization and development of 70 PZZ mills [state grain elevators] and CZRS [Central Agricultural Union of Peasant Self-aid Cooperatives], as well as construction of three commercial mills in the southern regions and 15 aggregate mills with a steel structure;

--in the baking industry, in order to improve the quality of bakery products an increase of new capacities by 180,000 tons per shift is to be assured;

--in the sugar refineries, capacities should be increased by 20,000-25,000 tons per day.

We intend to spend 60 percent of the overall food industry money expenditure in these three branches and the milk and fruit-and-vegetable industries.

We are modernizing margarine factories in Bodaczow, Warsaw, Brzeg, Szamotuly as well as the oil mill and margarine factory in Kruszwica.

We will continue to increase capacities in poultry raising and slaughtering by at least 120,000 tons per year, and we will develop fodder and processing plants accordingly.

We also intend to advance the development of the fish industry in order to ease meat and animal-protein shortages.

We assume that in the years 1981-85 society's needs for cereals and flour articles will be filled, as will those for margarine and vegetable fats, fruit-and-vegetable products, culinary frozen products, milk products and children's food products, and that there will be further improvement of supply in all remaining branches and groups of consumer products. A complete stocking of all staple components, valuable waste and byproducts calls for new technology and, above all, equipping the food industry with machines, appliances and wrapping and packaging systems as well. Not only agriculture, but the food industry as well, depends to a large degree on deliveries from other branches of the domestic economy. However, for the present, the domestic production of machines and technical appliances has been able to cover 70 percent of the needs of the food-processing industry.

We calculate that food industry requirements for machines and appliances in the years 1981-85, will amount approximately to 80 billion zlotys, i.e., a 30 percent increase over the amount during the years 1976 to 1980.

Particularly intensive development is required in the manufacture of machines for the milk, fruit-and-vegetables, potato, oil, fodder, grain-and-mill and bakery

industries. The existing potential possibilities of the food machinery equipment industry is able to satisfy only half of the processing needs.

Equally indispensable is full coverage of the food industry's needs in the area of wrappings and packaging, particularly metal wrappings, aluminum, plastic and viscose foils, plastic containers, glass bottles and jars, paper and cardboard wrappings and paper bags, etc. While working out the government food-economy program, we are designating in detail the scope and the means of covering these needs in the country as well as within the framework of the cooperation of the CEMA countries.

In presenting the trends and steps which are being undertaken by the food industry to improve the country's food supply situation, I would like to state that the main prerequisite and guarantor of proper provisioning of the population with the means of subsistence is a stable, composite and consistent agricultural and food-supply policy. It must be brought about not only by the agriculture and the food industry, but jointly with all the other branches of our national economy.

I would like to express my conviction that only such a policy, which we intend to carry out on a general scale and in the food industry in particular, can assure a gradual mastering of these very troublesome disproportions on the food supply market at present, and bring a step-by-step improvement in supplying the population with food.

I do not doubt that in realizing this task we will get help from the entire industrial labor force, and the scientific, research and service institutions of the food industry who distinguished themselves by their self-sacrificing work and total civic commitment, the proof of which they gave during the difficult period of the second half of the past year.

9841

CSO: 2600/238

FODDER PLANTS RECOMMENDED TO FOLLOW RYE

Warsaw CHLOPSKA DROGA in Polish 17 Jun 81 p 10

[Article by Jan Higersberger, MS: "What Do You Sow After Rye Harvested For Green Bulk?"--passages enclosed in slantlines printed in boldface]

[Text] /Most frequently, after a harvest of rye for green bulk, farmers will plant potatoes. This is wrong. Based on my own, extensive experience I have determined that after a harvest of rye for green bulk potatoes will give normal yields only if they have favorably spaced precipitation. This is so because the rye will thoroughly exhaust the earth's moisture during the growing period, moisture needed by potatoes in large quantities. Additionally, even in case of a very fast rye harvest followed without delay by potato planting, it is impossible to avoid additional drying of the soil.

What crops, therefore, should be cultivated after rye harvested for green bulk?/

Below we are making a few suggestions regarding the more important crops which are suitable to be cultivated as fodder, after rye harvested for green bulk.

1. /Leguminous-grain mixtures./ They will grow so much by the middle of August that one can gain 200-250 quintals per hectare (q/ha) of green bulk, by mid-September it may be as much as 350 q/ha. One may also cultivate crops which require early fall sowing: winter barley, winter rape, winter rye or winter wheat. Composition of such a mixture, per hectare, could, for example, be: /spring vetch (100 kg) + field peas (100 kg) + oats (35 kg) + spring barley (35 kg)./ Vetch and peas are interchangeable, as are oats and barley. The lighter the soil, the more oats and peas and at the same time less vetch and barley.

Indicated mineral fertilization, by contents of pure components, is: /50 kg/ha phosphorus, 100 kg/ha potassium and nitrogen (only during germination) 15 kg/ha./

2. /Leguminous crops./ They will grow relatively short, therefore, one has to plant them thickly. Alone, /spring vetch is sown at 180 kg/ha, field peas 220 kg/ha, lupin 270 kg/ha. They can be harvested as early as about 15 August, and one can sow winter rape or winter barley afterwards, or the stand can be earmarked

for winter rye or wheat. Green-bulk yields can be the same as from leguminous-grain mixtures, but inferior as fodder because of lack of variety. Amount of fertilizer used is the same as for the mixture.

3) /Sunflower./ This crop grows very quickly. In the middle of August one can harvest 400 q/ha of green bulk and in mid-September about 700 q/ha. Winter rape ought not to be sown afterwards--the stand is too exhausted. If the soil is very good, then, with strong mineral fertilization, one could cultivate winter barley. One can also sow grasses for seed collection or for green bulk, but only in the following calendar year. If the sunflower was harvested in mid-September rye can be sown afterward. After sunflower, the stand will be too exhausted for wheat.

Approximate mineral fertilization for sunflower looks as follows: /50 kg/ha phosphorus, 100 kg/ha potassium, 80-100 kg/ha nitrogen./

4) /Mustard and spring rape./ Either crop will yield equally, by mid-August, about 200 q/ha, and by mid-September--about 300 q/ha of green bulk. Seed required: 20 kg/ha, shallow seeding--down to 2cm. Fertilization, by pure component contents, 54 kg/ha phosphorus, 80 kg/ha potassium and 80 kg/ha nitrogen.

Mustard or spring rape can be fed to cattle directly as green fodder or it can be ensilaged. These crops are easily ensilaged. When green, mustard is eaten by cattle in preference to rape greens.

After mustard or spring rape, one should not sow winter rye, however, winter barley or grasses may be sown. The best way would be to harvest spring rape or mustard in the middle of September and then sow rye or wheat (depending on the soil).

5) /Spurry./ This is a crop for light soils, however, for green bulk purposes it will grow on any soil. It has a short growing period. By mid-August the crop will amount to 250 q/ha green bulk, by mid-September--350 q/ha. Sowing is shallow in dense rows. There are two varieties of rape (sic): large and small. The large variety is sown at about 35 kg/ha, the small at about 25 kg/ha. Fertilization is the same as for spring rape and mustard.

Spurry can be used as green fodder or it can be ensilaged. It ensilages easily. After spurry harvested in mid-August, one can sow winter barley or grasses. After a mid-September harvest--rye or wheat (depending on the soil). After spurry, fertilization should be plentiful.

6) /Maize./ Maize cultivation is so popularized that it needs not be discussed. We will note, however, that by mid-September it is ready for harvest and, depending on the soil, rye or wheat may be sown afterward. Maize yield depends on the variety. The "Flint Corn" variety gives very high yields of green bulk (when following green rye 700-800 q/ha) which is, however, watery and of very little substance. The early ripening varieties (hybrids) give less green bulk (up to 350 q/ha), which is of high substance and contains a large amount of kernels which are in a "milky-waxy" state of ripeness.

7) /Stubble turnip./ Depending on the variety, the growing period of stubble turnip lasts about 8 weeks. By mid-September one can obtain a yield of about 300

q/ha, in late fall 400-500 q/ha. Turnips are sown in rows, with a spacing of 30-40 cm between rows, at an interval of 20 cm when in dense rows and at 15 cm in sparsely spaced rows. One can also sow by using every tube in the seeder or even sow by hand and then thin out by rake after germination. Sowing is shallow. When in widely spaced rows, sow 2.5 kg/ha, in dense rows (every tube in seeder) sow 4 kg/ha, by hand 5 kg/ha.

Stubble turnip harvest is very easy because it protrudes above the ground. It can be simply torn out by the cultivator and picked up. Stubble turnip cannot be winter stored because it rots easily. It has to be fed in the fall or it may be ensilaged. It ensilages easily and if ensilaged by itself it has to be chopped up. If ensilaged with any green bulk or with oil cake it need not be chopped up.

After turnips harvested in September, (depending on the soil) rye or wheat can be sown. After a late fall harvest, the field should be used for early grains or butterfly type coarse grains.

8) /Transplanted Swedish turnip./ Turnips are easier to transplant than cattle beets because they are not sensitive to root bending, and they take exceptionally well. They can be transplanted with a rake or with a plow. The individual seedlings are placed on the side of a furrow so that the next furrow will cover the roots. Turnips are planted in every other furrow in this manner. Spacing between the seedlings is 25-40 cm. Mineral fertilization if high.

9) /Fodder cabbage./ It can be transplanted from seedlings the same as edible cabbage or it can be sown directly in the soil the same as rapeseed. When transplanting, it is placed in a rectangle 40 x 50 cm, when sown it goes in rows every 40-50 cm. Sowing requires 3-4 kg/ha. The seed cannot be planted in the soil deeper than 2 cm. Mineral fertilization is also plentiful.

Fodder cabbage is a very valuable fodder and the crops equal maize crops of the Flint Corn variety. Both sown and transplanted variety have to be chemically treated for weeds. Most frequently one of the compounds listed below is used. /Semeron/--1.5-2.0 kg/ha of the compound in 400-600 liters of water, at 2 weeks after the transplants have taken or when the sown cabbage seedlings have 4-5 leaves; /Treflanc/ LC-2--2.5 4.0 kg/ha of the compound in 400-600 liters of water, not later than 6 days before sowing or planting. Immediately after spraying the compound, the ground has to be covered with about 15 cm of fresh soil. After fodder cabbage the stand is not suitable for sowing until the spring.

9511

CSO: 2600/264

NEED TO PROTECT HARVEST FROM FIRES STRESSED

Bucharest PAZA CONTRA INCENDIILOR in Romanian May 81 pp 2, 8

[Article by Engr Gheorghe Manciu, state secretary in the Ministry of Agriculture and the Food Industry: "Protecting the Harvest from Fires—an Imperative of Strict Timeliness"]

[Text] The speech given by Comrade Nicolae Ceausescu, the secretary general of our party, at the Second Congress of the Management Councils of Socialist Agricultural Units, the Whole Peasantry and the Councils of the Working People in the Food Industry, Silviculture and Water Management has constituted for all those who work in this great and important sector of the national economy a document of exceptional significance, meant to raise the level of the activity in agriculture to a higher stage of development, to the height of the requirements posed by the historical decisions of the 12th party congress.

Aware of the importance that agriculture has in the great work of construction of socialism, the cooperators, the workers in the state agricultural enterprises, the farm machinery operators, the specialists in research, production and education, all those on whom the achievement of the new agrarian revolution depends, have greatly multiplied their efforts to turn immediately to radically improving the activity, to increasing the agricultural output as early as this year.

Organizing their activity better and performing the plowing and the work of sowing and maintaining the crops at the proper time and with good quality, the working people in the agricultural units, all those who bear the responsibility for properly performing the production activity, have shown their diligence by deeds. Thanks to their work filled with self-sacrifice, the cereal harvest promises to be good, despite the difficult conditions created by floods and the not exactly favorable weather this spring.

At present, as part of the technical and organizational steps taken to properly perform the work, the managements of the agricultural units are devoting special attention to preparing for the harvesting campaign. Having the party bodies' help and guidance, the county agricultural bodies, the agroindustrial councils and the managements of the SMA's [agricultural mechanization stations], the IAS's [state agricultural enterprises] and the CAP's [agricultural production cooperatives] have made a motto of properly organizing the campaign. Before them stands the valuable counsel of the secretary general of our party, according to whom it is necessary to take firm steps to eliminate the serious shortcomings existing in the field of

harvesting, when significant quantities of agricultural products are lost due to the totally unjustified prolongation of this work. "Let us do everything," Comrade Nicolae Ceausescu pointed out in the speech given at the Second Congress for Agriculture, "so that the entire harvest is gathered in optimum time, is transported properly and reaches the storehouses without any loss! With the existing means, we must harvest the wheat in 8-10 days and the corn in at most 30 days."

Putting this valuable counsel into practice, the county agricultural directorates, the SMA and IAS trusts and the agroindustrial councils, on the basis of the orders and provisions given by the leadership of our ministry, have taken steps so that the units subordinate to them will proceed in advance to check and repair the entire fleet of agricultural machines that will be used to gather and store the harvest. On combines, tractors and trucks, the ignition, feeding and carburetion systems have been adjusted in order to prevent misfires, which can often be accompanied by sparks and gases in a burning state. At the same time, the sealing of the fuel tanks and feedlines and the elimination of the defects existing in the wiring, the spike-cutting devices (combines), the gas-exhaust systems and so on have been undertaken.

Although such preparatory work has already been finished in the great majority of the counties, lags have still been noted here and there. Consequently, it is necessary that in this period the efforts be intensified so that the checking of all the machines and equipment that are to be used in the campaign is finished as soon as possible.

From the experience in past years it has resulted that the performance of the machine-functioning tests for checking the gears in operation and of the work of adjustment and sealing has an important role in avoiding losses of grain, including the damage caused by the outbreak of fires. This is precisely why the performance of them must be done with a total spirit of responsibility not only on the equipment used to harvest and transport the cereals (combines, tractors with trailers, and trucks) but also on the hay-baling and -gathering equipment (presses, MAC's [expansion unknown] and PAC's [expansion unknown]).

In this period, on the basis of the instructions given, the activity of the reception commissions, which give advice on the utilization of the machines in the campaign, is in full swing. Since carelessness in issuing the reports on checking the technical condition of the machines and equipment has been found in some counties, the attention of the managements of agricultural units is drawn to exhibiting the proper strictness, in such a way that no agricultural machinery or equipment used in the campaign has defects that would lead to fires. On this occasion, the devices of the spark arrester will also be inspected with all possible care--with the wornout ones, which do not offer a guarantee in operation, being replaced promptly. In addition, it is intended that all machinery and equipment will be equipped with fire extinguishers with powder and carbon dioxide in perfect operating condition, with the managements of the agricultural units and the technical commissions for fire prevention and extinguishing having the obligation to take steps to supplement the stocks with such means of fire extinguishing.

Proper organization of the activities prior to the start of the harvesting campaign also requires thorough instruction of the personnel involved in the campaign (farm machinery operators, drivers, workers in the mobile shops and so on) in order to use the machines and equipment at maximum capacity and to comply precisely with the

fire-prevention and -extinguishing standards issued by the MAAIA /Ministry of Agriculture and the Food Industry/, which refer to the operation of combines, tractors and trucks without danger, the supplying of motor fuel, parking in the field and so on. In the period that is still left until the start of the harvesting action, as well as during it, an intense instructional and educational activity will have to be performed, through all forms and means (talks, conferences, posters, notices, programs on the radio-relay stations, written articles in the press and so on), in order to combat the fire-generating causes (cigarettes, sparks coming from the muffler, open fire, defects occurring in the wiring and the feeding and carburetion systems of agricultural machines and so on) that can produce fires. However, the briefing remains the main means of mobilization for compliance with the standards, a reason why it must be made to the point, in close connection with the concrete situations specific to the work of cereal harvesting, transportation and storage. Such briefings have been held with the heads of the agricultural units, the farm foremen, the chiefs of the civilian formations of firemen and so on. Up to the start of the harvesting work, it is absolutely necessary for this action to be continued in such a way as to include all the personnel involved in the cereal-gathering, -transportation and -storage campaign.

In order to prevent field fires, both in the ripening phase and during the cereal harvesting, it is necessary to devote full attention to the activity of watching and supervising the fields. In addition, in order to eliminate some deficiencies noted last year in the counties of Mehedinti, Tulcea, Dolj, Constanta, Braila, Vaslui and others, it is absolutely necessary to take in advance prompt steps that would provide for: the banning of the entry into the campaign of combines, tractors and trucks that are not in perfect operating condition; the arrangement of the places used for the maintenance of agricultural machines and the replacement of parts by the crews of the mobile shops; the creation of the strips for isolating the fields from roads, forested areas and railroads; the equipping of the work points with plows, disk harrows and hydrants that can be moved easily, along with the shifting of the combines to other harvesting areas; the establishment of smoking areas; and so on.

From experience it has resulted that as the harvesting work draws to a close, the strictness declines and obvious violations and irregularities take place, a thing also demonstrated by the fact that the fires have occurred toward the end and not at the start of the harvesting campaign. Regarding such situations, there must be constant concern for complying with the fire-prevention standards throughout the performance of the work, with a firm stand being taken against any manifestations of negligence and indiscipline. Such an emphasis is made because it has been observed that the agricultural machines used in the lowland areas have been sent to the other areas of the country with some defects that could favor the appearance of fires, such as, for example, fuel and oil leaks, wiring damage, intense friction on parts in motion and so on. In view of this fact, it is absolutely necessary that in transferring the machines from one area to another the proper attention be devoted to checking them and that in the course of operating them the strictness be increased in order to be able to step in promptly to eliminate the fire-generating defects.

Due to its specific character, the harvesting campaign also requires preparatory measures in the sphere of cereal storage. "We must organize the storage as close as possible to production," Comrade Nicolae Ceausescu pointed out, "in order to provide

the conditions so that everything that we have obtained through the labor put forth will enter the storehouses. We must completely put an end to negligence and waste." This means an increase in the spirit of responsibility and strictness in taking the preventive steps that not only the personnel involved in cereal gathering and transportation but also the heads of the silos and of the cereal-reception and -storage bases must exhibit. They have the obligation to take care of the wiring and the equipment associated with the cereal-drying, -sorting, -cleaning, -transportation and -siloing operations in order to exclude any possibility of producing fires. In addition, these installations and pieces of equipment must be checked thoroughly before the start of the cereal-gathering campaign, with them being supervised continually throughout the period of gathering and storing the cereals.

Possessing the help of the party bodies in implementing the technical and organizational measures meant to ensure the proper performance of the cereal-harvesting campaign, the leadership of the MAIA, together with the leadership of the MTTc [Ministry of Transportation and Telecommunications] and the MI [Ministry of the Interior], Firefighters Command, has established a number of joint actions regarding supervision and guidance of the fire-prevention and -extinguishing activity that will come to the aid of the responsible factors involved in the cereal-harvesting, -transportation and -storage campaign.

Aware of the responsibility that devolves upon them and always having in mind the valuable instructions given by Comrade Nicolae Ceausescu at the Second Congress for Agriculture, the working people in this important sector of the national economy are firmly determined to take all the steps so that not one bit of this work year's harvest is lost, falls prey to flames, but reaches the storehouses in full safety.

12105

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WAYS TO REDUCE ENERGY CONSUMPTION CONSIDERED

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 Jul 81 pp 8-9

[Article by Dr Emil Costin: "The Reduction of Energy Consumptions—a Basic Orientation of the Party's Policy of Growth in Economic Efficiency"]

[Text] The modern era and, implicitly, large-scale industry are indissolubly connected with the wide-scale production—and the utilization in the most diverse fields—of electric power. Grasping the strong interdependence that is established, in the process of forging the technical-material base of socialism, between energy resources and industry's development, our party has included as a priority objective, as early as in the first plans drawn up, the continual expansion of our own energy base.

Trends in the Dimensioning of Consumptions

Along with the providing of energy resources, the party puts in the center of the economic policy the orientation with regard to utilizing energy with as high efficiency as possible and managing with a high spirit of responsibility all the energy agents drawn into the economic circuit. The concern for economical utilization of energy fits as a natural component into our party's general view of utilizing the country's material, human and financial resources with high efficiency, as a condition for growth in social wealth. In his speech at the Second Congress of the Working People's Councils, the secretary general of the party dwelled on these questions, emphasizing strongly the decisive conditioning between the Romanian economy's further progress and the obtaining of as low material and energy consumptions as possible.

An evaluation of all the implications that the absolute decline in the hydrocarbon resources existing on a world level, the rise in prices at runaway rates and the instability regarding the sources of supply and the certainty of this supply on a long term have for the economy's development implies an extremely great effort, a concerted multidisciplinary approach. The difficulty of the problems—problems that must, in fact, be solved in accordance with each country's concrete conditions—resides mainly in the fact that the economy's further development requires the effective growth of the volume of energy resources drawn into the production circuit. At the same time, any project to reduce energy dependence must start from the premise that, to an overwhelming extent, the type of industry with which we are familiar is based as a technological principle on electric power, while, in comparison with

electricity, the development of other energy technologies is in an incipient stage. In precisely this spirit, the Directive Program for Research and Development in the Field of Energy, approved at the 12th party congress, stipulates as one of the ways to attain the basic energy objective the providing of Romania's energy independence at the end of this decade, the continual expansion of the national energy base. The improvement of the economy's structure, the utilization of all hydroelectric sources (including waters with small flows) and the conversion of wind energy, biomass and so on into an energy agent usable in the technological processes are being pursued from this angle.

The substantial, continual reduction of the energy consumptions in all fields of activity constitutes a way of overwhelming significance to provide the energy resources necessary to the economy, one that is brought up constantly in the party documents and the speeches of the secretary general of the party. In the current world situation, the criterion of minimization of energy consumptions is acquiring the character of a basic component in dimensioning and evaluating any activity, on both a macroeconomic level and a microeconomic one. However, the problem is not getting an immediate and simple answer. Economic research and technological research are finding themselves a wide field of investigation, in view of the fact that energy takes often long and winding paths both from production to utilization and, later, in the process of its incorporation into products. The specific character of the production processes in each branch of activity and of each particular activity--explicable as a matter of fact, which characterizes the degree of elaboration of some statistical, economic and technical indicators capable of faithfully and, at the same time, promptly expressing precise information about the energy consumption per product--contributes to this diversity of aspects.

On a synthetic plane, the energy consumption that the obtaining of 1 unit of national income requires constitutes the most expressive indicator. In recent years, significant successes have been obtained in the direction of raising the level of efficiency with which energy is utilized at the level of the Romanian economy. Thus, as follows from the data in Table 1, the value of the "consumption of electric power for \$1,000 in national income" indicator was reduced over 25 percent in Romania in the 1974-1977 period. In the above-mentioned period, the same indicator was reduced 10 percent in Great Britain, 8 percent in France and 20 percent in the FRG. But even under the conditions of these big reductions, Romania consumes for \$1,000 in national income 2.6 times more kilowatt-hours than France, 2.4 times more kilowatt-hours than the FRG and 1.3 times more kilowatt-hours than Great Britain, a fact that points up the significant reserves that still exist, which must be utilized. It is thus clear that, as Comrade Nicolae Ceausescu pointed out at the Second Congress of the Working People's Councils, "In view of the high consumption of primary and electric power, we must do everything to limit and reduce the consumption of primary and electric power.... We must do everything to obtain for this consumption a bigger rise in industrial and agricultural output, in social and national product."

Industry, a Priority Field of Action

The strategic orientation promoted by the party with regard to improving the economy's structure must also be viewed from this wide angle of great scope--that of increasing the efficiency with which energy is consumed at the level of the national economic complex. The major effects and, at the same time, the complexity of the process of restructuring the economy--and, in particular, industry, which absorbs

about 63 percent of all the electric power consumed—in accordance with the criterion of minimization of energy consumption seem extremely clear from looking at the data in Table 2. It is thus clear that the structure of our industry, which was conceived under the conditions of cheap and abundant energy, must be adapted rapidly to the new conditions—because industrial subbranches whose marked development was considered, with good reason, an expression of the modern, advanced character of an economy are now subject, from the viewpoint of the energy criterion, to different judgments.

Table 1. The Consumption of Electric Power per \$1,000 of National Income

<u>Country</u>	(kilowatt-hours per \$1,000)	
	<u>1974</u>	<u>1977</u>
France	690	637
FRG	899	703
England	1,453	1,301
GDR	1,402	...
Czechoslovak Socialist Republic	1,279	...
Romania	2,221	1,660

Table 2. The Percentage of the Consumption of Electric Power of Some Branches in the Total Industrial Consumption of Electric Power and the Contribution of the Same Branches to the Creation of Industrial Gross Output

<u>Branch</u>	The Percentage of the Consumption of Electric Power of the Branch in the Total Industrial Consumption of Electric Power (%)	The Contribution of the Industrial Branch to the Formation of Industrial Gross Output (%)
	<u>1979</u>	<u>1979</u>
Chemistry	23.1	8.7
Ferrous metallurgy	11.1	7.7
Nonferrous metallurgy	11.8	3.2
Machine building	12.5	34.0
Textile	3.4	8.3
Food	3.0	13.6

Within industry, the branches of chemistry, ferrous and nonferrous metallurgy and so on stand out as big consumers. These branches are characterized by indices of consumption of electric power per 1,000 lei of industrial gross output with high values. For example, chemistry consumed about 140 kilowatt-hours to obtain a gross output of 1,000 lei in 1979 and ferrous metallurgy consumed about 76 kilowatt-hours to obtain an industrial gross output at a similar level in the same year, while nonferrous metallurgy consumed about 194 kilowatt-hours to obtain the same result. In comparison with these branches, the corresponding values registered in 1979 were about 19 kilowatt-hours in machine building, about 21 kilowatt-hours in the textile industry and about 12 kilowatt-hours in the food industry. The necessity of reorienting the industrial output is brought out even more clearly if we consider not only the branch's percentage of the consumption of electric power in the total industrial consumption of electric power but, to an equal extent, each branch's contribution to the creation of industrial gross output. The above-mentioned values for 1979 are given in Table 2.

It can thus be seen that about 23 percent of all the electric power consumed in industry in 1979 went to chemistry, but it contributed only 8.7 percent to the formation of industrial gross output. In addition, metallurgy (ferrous and nonferrous) had a higher percentage of the consumption of electric power in the total industrial consumption in comparison with its contribution to the formation of industrial gross output. For each of the machine-building, textile and food branches, the percentage of the consumption of electric power in the total industrial consumption of electric power is lower than the percentage of the contribution of these branches to the formation of industrial gross output.

The interpretation of this new table in which each branch's energy consumption and its contribution to the creation of gross output are compared allows us to understand the great complexity that is involved in materializing the party's highly topical orientation with regard to reducing the percentage of the energy-intensive branches and more markedly developing the ones that are small consumers, which permit the better utilization of resources. Such a restructuring, which has been clarified and enriched considerably on a theoretical and operational plane in the period of time that has passed since the proceedings of the 12th congress, must pursue: the matter of avoiding as far as possible the waste of means of production that, as a rule, any action of restructuring involves, considering that an immense volume of social labor is stored in the production units in each branch; the combining of the criteria of immediate efficiency with the prospective ones; the discerning of the trends in the world economy; the providing of the material and financial base needed for developing the efficient branches from an energy viewpoint, so that this change in the choices regarding development does not affect the processes for expanding the economy; and so on.

The great responsibility that the party is assuming in adapting the national economy's structure to the world energy crisis is even more clearly brought out by the fact that, throughout the world, the states are in a sharp competition and that the economy's level of technicality, farsightedness and promptness represent the main means that ensure success.

The consistent promotion of technical progress constitutes an orientation with positive effects regarding the reduction of energy consumptions, from the viewpoint of both increasing the outputs and effectively lowering the energy consumptions per unit of product. The importance of fully utilizing this possibility of economization of energy also follows from the fact that the specific consumptions for certain products are still very high in comparison with similar ones on an international level, with significant differences being registered, at the same time, even between certain units in the country. Thus, about 19 percent of all the electric power used in industry in 1979 was consumed to obtain aluminum, a product known for its energy-intensive character (which has a specific consumption of about 14,900 kilowatt-hours per ton), electric steel (which has a specific consumption of about 779 kilowatt-hours per ton), carbide (which has a specific consumption of about 3,010 kilowatt-hours per ton) and electrolytic caustic soda (which has a specific consumption of about 3,373 kilowatt-hours per ton). The generalization of the modern technological processes for these products alone would lead to large energy savings. For example, the modernization of the aluminum-electrolysis plants would provide for the reduction of the specific consumption by about 400 kilowatt-hours per ton, and the application of a new procedure for obtaining this product, a procedure that was in the pilot-research phase in 1979, would lead to specific consumptions estimated to be about 25 percent lower than the current ones.

The matter of providing for the recovery of secondary energy resources—among which the gases evacuated from electric furnaces and their utilization in preheating the scrap iron in the load of the charges occupy an important place—is also of just as much importance in the policy of economization of energy resources. This action alone permits the reduction of the specific consumptions by about 10 kilowatt-hours per ton. In addition, it is necessary to act responsibly to steadily comply with the consumption quotas for energy, fuel, raw materials and supplies and to act further, with full determination, to reduce the consumptions. It clearly follows that the quotas for specific consumptions represent maximum values for staying within the limits set, with the continual reduction of them constituting an all-important task of the Romanian economy.

In materializing the orientation with regard to reducing the energy consumptions as substantially as possible, other ways can also be utilized with good results. Thus, the work of small-scale mechanization and modernization of some processes requires relatively few financial resources and can be accompanied by significant energy savings. The furnishing of load regulators for the machines and equipment permits the growth of the efficiency of their operation by optimizing the consumptions of electric power in accordance with the size of the load. In its turn, careful maintenance of the machines and equipment ensures the proper operation of them, reflected in optimum energy balances for each piece of equipment.

All these efforts, carried out on a technical, economic and organizational plane, must be materialized in continual growth of the efficiency with which energy is consumed. The reduction of the consumption of electric power per 1,000 lei of industrial gross output by 40 percent up to 1985 and by a factor of about 2.6 in the year 2000 in comparison with 1980, levels stipulated in the Directive Program for Research and Development in the Field of Energy, represents mobilizing tasks for our whole populace. Along with the broad programs, measures and concrete actions initiated by the party, with its secretary general's contribution of originality and inventiveness, they constitute an undeniable expression of the realistic, patriotic policy promoted consistently by the party in the years of socialist construction.

12105

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DEVELOPMENT OF MACHINE TOOL EXPORT MARKET PLANNED

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 Jul 81 pp 12-13

[Article by Dr Ioan Georgescu: "Competitive Export Structures"]

[Text] For foreign trade activity, the 1981-1985 5-year period—of the qualitative development of all economic and social activity—will mean a more and more decided orientation toward the means of intensive growth in exports, the steady promotion of the principle of valuta equilibrium at the level of the economic unit, central and branch and up to the level of the national economy, and the intensification of international economic cooperation.

On the plane of export production, the objectives of the new quality pointed out in the speech of the secretary general of the party, Comrade Nicolae Ceausescu, regarding Romania's economic and social development in the 1981-1985 5-year period refer to the better utilization of raw materials and supplies in order to achieve a production competitive on a world level, the devising of new technologies and the renovation of production at the level required by the world scientific and technical revolution, the continuation of the specialization of export production in the present units and the creation of new capacities specialized for exportation. In order to point out the significance and the real dimensions of these orientations in the concrete economic development of a branch, we dwelled on machine-tool production, with machine building being—since 1975—the most important group of commodities (in terms of percentage) in the structure of our foreign trade.

An Export Program Centered Around the Requirements of the Future

While the machine-building industry had a percentage of over 34 percent of the country's industrial output in 1980, the growth of this percentage to 37.5 percent in 1985 is planned for the current 5-year period and, according to some branch forecasts,* this percentage will be 45 percent in the year 2000. Machine building's percentage of the country's exportation was 25 percent in 1980, with it happening

* "Economia Mondiala—Orizont 2000" [The World Economy—the 2000 Outlook], Publishing House of the Academy of the Socialist Republic of Romania, Bucharest, 1980.

that in the current 5-year period the rate of growth of exportation in the branch will outstrip the rate of growth of production, with it thus maintaining its top spot in the structure of our foreign trade. One of the machine-building subbranches that registered some of the highest rates of growth in the last 5-year period was the machine-tool industry—an average annual rate of growth of over 20 percent. In 1980 alone, machine-tool production rose 47 percent, as compared with 36 percent for precision machinery and optics, 27 percent for industrial electronics and so on.

This has caused Romania to now be among the main world producers of machine tools (see the table).

Table

<u>Year</u>	<u>Production</u>	<u>Percent</u>	(millions of dollars)	
			<u>Exportation</u>	<u>Percent</u>
1955	4.0	-	-	-
1960	12.0	800	-	-
1965	15.0	125	4.0	-
1970	31.0	206	13.0	325
1975	143.0	461	46.0	354
1976	169.0	118	61.0	132
1977	212.0	125	67.0	110
1978	294.0	138	88.0	131
1979	403.6	137	130.7	149

Source: "L'Afirmation des Machines—Outils Roumaines sur les Marchés Internationaux," Chamber of Commerce and Industry of the Socialist Republic of Romania, 1980.

The table points up the continual growth of production and exportation, which denotes the high technical level, the competitiveness of these products.

The 19 machine-tool-building enterprises that now compose this strong subbranch of machine building are grouped organizationally within the Industrial Central for Machine Tools, Precision Machinery, and Tools, which has its own design institute. In the recently concluded 5-year period, as the statistical data show, a big qualitative leap in the production of Romanian machine tools was achieved, through the consolidation of the manufacture of heavy machine tools and of machine tools with numerical control.

Through the allocation of large amounts of investment funds for modernization and development of new capacities at the DNUAB [Bucharest Enterprise for Machine Tools and Aggregates], the Oradea "Infratirea" enterprise, the Bacau Machine Tool Enterprise and the Roman Machine Enterprise and through the construction of new enterprises like the Craiova Heavy Equipment Enterprise (for heavy portal milling cutters and heavy parallel lathes), the Tirgu Jiu Machine Tool Enterprise for Presses and Forges (for mechanical and hydraulic presses from 160 tons of force to 630 tons of force), the Iasi Enterprise for Machine Tools and Special Aggregates (for typified elements and special machines), the Baia Mare Enterprise for Machine Tools, Accessories and Tools (for grinding and stitching machines) and so on, Romania now has one of the biggest manufacturing lists for heavy machine tools in the world.

One should note the fact that heavy machine tools are indispensable for making power and thermonuclear equipment and installations, fields that will register stronger and stronger development by the end of the century. Thus, it is predicted that even before the end of the current decade all the European countries will have nuclear electric power stations or will have advanced programs for providing them. In 1985, nuclear power stations will supply 28 percent of the electric power, thermal power stations 61 percent and hydroelectric power stations 11 percent, which implies a rising demand for means of production for achieving these facilities. The concerns for renovating the manufacturing and, respectively, export list to a degree of over 70 percent in the last 5-year period have led to the restructuring of the central's production in favor of modern machine tools with high outputs, with numerical control being extended to more and more machine tools, as well as complex programming with the aid of the computer.

In the 1976-1980 period, the volume of exportation rose 3-fold, of which free-exchange exportation constituted over 40 percent. In the free-exchange relationship, the main partners, to which 75 percent of the exportation is directed, are countries with a strong machine-tool production of their own, such as the United States, Canada, the FRG, Italy and France, which speaks eloquently about the quality of Romanian machine tools. In addition, the trade and cooperation in production with the socialist countries are being developed in an upward direction, with the USSR, the GDR, Czechoslovakia, Hungary and so on being among the partners of the "Masiniexportimport" ICE [foreign trade enterprise], an enterprise specializing in foreign trade in machine tools. The amplitude that the actions of cooperation and specialization in production have acquired is brought out by the fact that about half of the volume of our exchanges of machines and equipment with the socialist countries in the last 5 years has been achieved on the basis of agreements for specialization and cooperation in production and long-term trade agreements.

Romanian machine tools are also well known on the other continents--Africa, Asia and Latin America--with Argentina, Brazil, Egypt, Greece, Iran, Turkey and many other countries being among the steady partners.

What an Offensive Strategy Presupposes

The anticipated development of the machine-tool subbranch in the current 5-year period will cause Romania to be among the main world producers of machine tools in 1985. In correspondence with this growth, its contribution to the expansion of the exports and international economic cooperation of Romania will also rise. (Even in 1980, enterprises like the IMUAB gave 70 percent of the commodity output to exportation.) If we were to extrapolate just the 40-percent average percentage of sales of commodity output through exportation for the whole machine-building branch in 1980, the necessity of a several-fold rise in exportation follows, in view of the growth that production will register.

A maximally responsible and, at the same time, decisive problem for the future of this industry is: With what products will we greet the future? If we bear in mind that the overwhelming percentage of the world trade in machines, equipment and means of transportation (about 87 percent) is concentrated in the developed capitalist countries, the effort that a developing country must make in order to fall into line with the international competition thus follows. This structure of the international exchanges according to groups of countries is due mainly to the choices that

these states have made in research and development expenditures. Thus, in the last 10 years, the research expenditures for the main subbranches of machine building (capital goods, electric machines, the aerospace industry and the automobile industry) have absorbed between 76-92 percent of the research and development expenditures of France, the FRG, Italy, Japan, England, the United States and so on.

In the chapter devoted to the strategy for development of the branch on a world level, the study titled "The Forecast for the Machine Building Industry"* identifies for the developing countries two alternative strategies for development of machine building:

1. A strategy having the objective of satisfying one's own need as completely as possible by producing as wide a range of products as possible, with a minimum valuta effort for transfer of technology.
2. An "offensive" strategy for penetration into foreign markets with a selective export list, structured on the basis of the technological and marketing forecasts, with the producer keeping itself in the van of technical progress by means of "offensive" research and development programs, which would give it conditions for maximum competitiveness, aiming at obtaining a maximum valuta contribution.

While the first strategy is characteristic of the stage of extensive development of the economy, that of formation of the industrial structures, the second one corresponds to a more advanced stage, that of intensive development of the economy, when the "maximum valuta contribution" can be obtained through the gaining of comparative advantages in the international trade in the respective group of products. For our country, which intends to attain the stage of a country with average economic development only by 1985, both variants of development can be of interest, the first for the supplementation of the domestic need for means of production and the second for the development of export production.

Through the accent put on specializing the production units for exportation, the orientations regarding the fulfillment of the plan for economic and social development for the 1981-1985 period take on a special significance in this regard. "It is necessary," Comrade Nicolae Ceausescu pointed out at the recent Congress of the Working People's Councils, "for us to achieve a better specialization of the enterprises for exportation and to organize new production capacities, especially for exportation."

But, in order for this organizational specialization of export production to be transformed into a "valuta contribution," there must also be a change in viewpoint, corresponding to the second, "offensive" strategy, at the level of all the functions of the enterprise specialized for exportation and the industrial central and in the fulfillment of the functions of management in these units (planning and forecasting, organization of production and labor, program implementation, and supervision). Thus, starting with the preparation of the technological and marketing forecast for substantiating the research and development plans, it is necessary to make well-defined choices regarding the program for present and future exportation in the enterprises specialized for exportation, in accordance with the objective of a "maximum

* "Economia Mondiala—Orizont 2000," Publishing House of the Academy of the Socialist Republic of Romania, Bucharest, 1980.

valuable contribution." The research and development force associated with this production must attain through its dimensions the "critical mass" capable of generating innovation and keeping the producer specialized for exportation at the level of world competitiveness. The process of renovation must be stimulated and not hindered by the economic and financial indicators assigned to these units.*

In fulfilling the commercial function and throughout the activity of managing these units, it is necessary to take into consideration the counsel of the secretary general of the party, Comrade Nicolae Ceausescu, who said, "In planning, we must take into account to a greater extent the role of the market, of the demand, this being an essential condition for performing all economic activity with maximum efficiency."

In order to shorten the technological-forecast/development cycle, we are now witnessing the process of organizational integration between the technological forecast and the planning of new products into structures of the "systems engineering" type, which combine the efficiency of the systemic view in the technological resolution of a function (economic necessity) with the speed of reaction in assimilation.

A comparative analysis of the systems of machines that fulfill different functions (different economic purposes) permits the identification of the subsystems with common functionality, with typified, modularized technical solutions, and the reintegration of these modules according to new schemes, with flexibility in the offer, promptness and efficiency being provided.

The package (integrated) offer of equipment and machines plus engineering services of analysis and design of the function of an industrial system that responds as exactly as possible to the concrete operating conditions now constitutes another characteristic of the offensive strategy for penetration into the international market for machine tools, with consulting being the outpost for penetration into new markets.

The expansion of international economic cooperation constitutes another way to increase our country's participation in the international division of labor, one emphasized strongly in Comrade Nicolae Ceausescu's speech at the Second Congress of the Working People's Councils.

International specialization in the manufacture of industrial systems formed of modularized subsystems does not exclude but, on the contrary, presupposes, for reasons of large-scale savings, the development of exchanges of modulated subsystems, with close cooperation beginning with the structuring of the systems in a unitary view, the providing of the "interface" on both sides of the technological flow, and going as far as collaboration on the product.

In capitalist countries like the United States, the FRG and Sweden, the development of the horizontal industry that supplies parts and subassemblies has acquired such great development that it competes successfully in terms of turnover with the industries that supply the finished products—of course, under the conditions of multinational organization of production and sales.

* In this regard, see: "Factors in Stimulation of Exportation Under the Conditions of the New Economic and Financial Mechanism," REVISTA ECONOMICA, Nos 22-23, 1981.

Starting from this economic reasoning, but under the conditions specific to socialism, the cooperation and specialization in production between the CEMA-member socialist countries are being developed successfully, with the specialized products having a percentage of 33 percent in the total exportation of machine building. The agreements on specialization concluded by Romania with the other CEMA member countries include just in the field of metalworking machine tools 786 prototype dimensions for metal-cutting machine tools, 426 prototype dimensions for machines and equipment for pressing and forging and 199 positions for tools of high productivity.

The recent agreement concluded by the Industrial Central for Machine Tools, Precision Machinery, and Tools with the North-American firm Sceffer Grindig Co in California with regard to jointly achieving a new family of highly productive plane grinding machines with a vertical axis and a rotary table, composed of five prototype variants, constitutes a positive example in this regard.

Of course, the efforts to modernize the production structures must be continued with the improvement of the structures for commercialization through forms of distribution, promotion and marketing aligned with the requirements of the world market, through professionalism and competence in achieving the entire flow of foreign trade operations, including in the departments for international payments, loans, insurance, transportation and so on.

12105

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FOREIGN TRADE IN FOOD PRODUCTS, 1980

Belgrade EKONOMIKA POLJOPRIVREDE in Serbo-Croatian No 4, Apr 81 pp 265-269

[Article by Dragan Markovic, engineer, Federal Bureau of Social Planning, Belgrade; submitted 25 March 1981]

[Text] The production of manufactured food has a direct impact on the restructuring and intensification of primary agricultural production and on initial processing and reduction of losses of farm products. Agricultural products are processed to become highly valued products of the food manufacturing industry ready for immediate use; the possibility of longer and more economical storage and reduction of shipping costs are the principal advantages which these products have over farm products. Aside from these advantages, the production of processed foods develops on the basis of domestic raw materials, employs a work force of about 165,000, has a share of about 9 percent in the social product of the industrial sector and offers finished products for sale on the international market.

The value of exports of processed foods in 1980 was 17,377 million dinars, which is 7.5 percent of the total value of imports of industry and mining. The value of imports of processed foods was 12,234 million dinars, or 3.3 percent of the total value of imports of industry and mining. The surplus in the balance of this trade is 5,143 million dinars.

Within the total value of exports of processed foods in 1980, processed products of animal husbandry and fishing, fruit, sugar and molasses make up 83 percent of the value, and the value of all other products 17 percent.

Last year the sugar industry achieved its largest export results so far: 291,626 tons and 3,854,211,000 dinars, which is 22 percent of the total value of exports of processed foods. The larger quantities and value of sugar exports had the result of diminishing the relative share of the value of processed foods from animal husbandry and fishing in the distribution of the total value of exports of processed foods to 48.28 percent, while in previous years it was over 60 percent.

In the distribution of exports of processed foods originating in animal husbandry and fishing by value the dominant place is taken by meat and canned ham, which

constitutes 70.56 percent of the total value of exports. Exports of baby beef in 1980 were up 11,606 tons over the previous year, while exports of lamb held steady at about 3,000 tons and canned ham at a level of about 16,000 tons, and other processed foods originating in animal husbandry and fishing showed fluctuations. The most important products in the group of miscellaneous processed foods being exported were milk, processed dairy products (primarily cheeses), canned sausages, processed egg products and other products. Average prices obtained in exporting these products, except for beef, were lower than on the domestic market, which among other things necessitated special incentives for the export of this group of products.

Table 1. Breakdown of Exports of Processed Foods in 1980 by Groups of Products, in terms of value

<u>Product Groups</u>	<u>Value, in 000 dinars</u>	<u>Distribution on Basis of Value, %</u>
Processed foods originating from animal husbandry	8,388,775	48.28
Processed foods from grain	422,148	2.43
Processed foods from fruit	1,920,253	11.05
Processed foods from vegetables	877,867	5.05
Sugar and molasses	4,115,107	23.68
Confectionery products	322,373	1.86
Oil--edible	396,965	2.28
Other processed foods	933,512	5.37
Total	17,377,000	100.00

Table 2. Quantities, Average Prices and Value of Exports of the Most Important Processed Foods Originating in Animal Husbandry and Fishing in 1980

<u>Products</u>	<u>Quantity, in tons</u>	<u>Average Prices, in dinars/kg</u>	<u>Value, in 000 dinars</u>	<u>Distribu- tion by Value, %</u>
Baby beef	56,489	65.31	3,689,532	43.98
Beef	1,354	121.29	164,232	1.96
Lamb	3,129	106.65	333,712	3.98
Poultry meat	2,110	36.65	77,341	0.92
Viscera for consumption as food	1,528	45.01	68,776	0.82
Intestines in brine	1,479	53.74	79,484	0.95
Canned ham	15,806	104.66	1,654,316	19.72
Liver paste	9,196	41.03	377,384	4.50
Canned pork products	3,501	68.31	239,142	2.85
Canned beef products	4,077	50.73	206,842	2.46
Canned fish products	9,630	42.07	405,192	4.83
Canned fish products containing fruit and vegetables	3,187	49.26	156,996	1.87
Other products	--	--	935,826	11.16
Total	--	--	8,388,775	100.00

Processed fruit products took third place in the value of exports of processed foods in 1980. The quantities of these products being exported show a cyclical movement over a lengthy period of time, which is caused mainly by the size of the fruit harvest in Yugoslavia and abroad and also by the fact that domestic exporters do not have sufficiently stable economic ties with their foreign trading partners, so that there are appreciable fluctuations of exports from year to year.

Table 3. Quantities, Average Prices and Value of Exports of the Most Important Processed Fruit Products in 1980

Products	Quantity, in tons	Average Prices, in dinars/kg	Value, in 000 dinars	Distribu- tion by Value, %
Prunes	11,394	41.53	473,249	24.65
Marmalade	922	46.23	42,620	2.22
Jams	4,043	31.41	127,055	6.62
Raw fruit juices	5,441	9.29	50,556	2.63
Concentrated fruit juices	2,518	53.69	135,196	7.04
Sweetened fruit juices	5,099	28.11	143,309	7.46
Pulps	6,103	21.19	129,336	6.73
Unsweetened frozen fruit	17,496	29.86	522,438	27.21
Other processed fruit	10,009	29.62	296,494	15.44
Total	--	--	1,920,253	100.00

In the distribution of exported processed fruits by value, dried and unsweetened frozen fruit represent more than 52 percent, juices and pulps more than 23 percent and other processed fruits about 24 percent.

The total value of exports of processed vegetable products in 1980 was 877,867,000 dinars, which represents 5.05 percent of the total value of exports of processed foods. Vegetables in brine, whose exports in 1980 represented 1,483 tons and 286,159,000 dinars, comprises 33 percent of the total value of exports of this group of products, and frozen and pickled vegetables 310,490,000 dinars, or 36 percent. We note in the exports of this group of products the same tendencies (fluctuations in quantity from year to year) as in exports of processed fruit products, and they result from the size of the vegetable harvest and the level of organization from production all the way to the processing and distribution of these products.

Confectionery products have a share of 1.86 percent in the distribution of exports of processed foods by value, and their most important representative is chocolate, whose exports last year were 2,503 tons and 228 million dinars, which is 71 percent of the total value of exports of these products.

The appreciably smaller harvest of oilseed in 1980, because the area planted was about 30 percent smaller than in the previous year and the yields were smaller, resulted in lower oil production in Yugoslavia. The Order Prohibiting Export of

Oil was adopted on behalf of normal supply of the domestic market, and importation was undertaken at the same time. Before adoption of the Order Prohibiting Export of Oil 7,687 tons of refined sunflower oil, 906 tons of refined soybean oil and 8,175 tons of raw sunflower oil were exported from our country; the total value was 396,965,000 dinars, which constitutes 2.28 percent of the total value of exports of processed foods.

The total value of imports of processed foods in 1980 was 12,234 million dinars, which is 27.95 percent of the value of imports of agroindustrial products.* The value of imports of these products was 28 percent greater in 1980 than in 1979, primarily because of the considerably larger imports of edible oil and raw hides.

Processed products originating in animal husbandry, components for the production of protein-rich livestock feed and edible oil comprise 81 percent of the total value of imports of processed foods, while other products represent only 19 percent of the value.

Table 4. Distribution of Imports of Processed Foods in 1980 by Value

Products	Value, in 000 dinars	Distribu- tion by ue, %
Meat and viscera	2,528,014	20.66
Skins and hides	2,652,866	21.68
Other processed products originating in animal husbandry	390,423	3.19
Rice, polished and glazed	306,614	2.51
Processed fruit products	452,629	3.70
Processed vegetable products	88,548	0.72
Cacao--processed	370,243	3.03
Components for production of protein-rich livestock feed	2,494,029	20.39
Oils--edible	1,848,164	15.11
Inedible oils and oleic acids	226,959	1.86
Tallow	133,005	1.09
Emulsified greases and oils	220,984	1.81
Roasted coffee	63,996	0.52
Extracts and powders for beverage production	231,633	1.89
Stearin	104,074	0.85
Miscellaneous products	121,819	0.99
Total	12,234,000	100.00

Imports of processed products originating in animal husbandry, which amounted to 3,571 million dinars in 1980, represent 45.5 percent of the total value of imports of processed foods. In the distribution of processed products originating in animal husbandry by value raw skins and hides represent 47.6 percent, meat

* Defined as follows: food manufacturing, the beverage industry, livestock feed, tobacco production and processing and manufacturing, agriculture and fishing.

and viscera 45.4 percent, and miscellaneous processed foods 7 percent. Total imports of raw skins and hides for the leather and leather accessory industry in 1980 was 58,444 tons, which is 8,849 tons higher than in the previous year. The distribution of the total quantities of raw hides and skins imported was as follows: 29,660 tons of raw cattle hides, 14,456 tons of raw swine skins, 10,108 tons of lamb skins and 4,220 tons of other skins and hides. Imports of beef for industrial processing have shown a continuous tendency of a steady growth of the quantities imported from year to year since 1977. These imports in 1980 amounted to 55,432 tons and a value of 1,948 million dinars. The quantity imported was up 11,352 tons over the previous year, and the average price per kilogram of beef, at \$1.29 was the same as in 1979 and 1980. The shortage of pork for general consumption in 1980 brought about approval for importation of 10,000 tons. However, because the foreign exchange was not available, 8,875 tons were imported for the amount of 483 million dinars. The most important items among the other processed products of animal husbandry being imported are as follows: in 1980 2,055 tons of butter were imported for the amount of 82 million dinars, and 812 tons of salted intestines were imported for the amount of 92 million dinars.

Plants which have been built for production of protein-rich livestock feed and the growth of domestic demand for these feeds have brought about a steady rise in imports of ingredients for production of livestock feed. The importation of ingredients for production of protein-rich livestock feed has been continuous since 1960, and in 1980 the value of imported ingredients represented 20.39 percent of the total value of imports of processed food products.

Table 5. Quantities, Average Prices and Value of Imported Ingredients for the Production of Protein-Rich Livestock Feed

Type of Ingredient	Quantity, in tons	Price, in dinars/kg	Value, in 000 dinars	Distribu- tion by Value, %
Oil cake and pellets	147,796	8.05	1,189,772	47.7
Fish meal	79,348	15.43	1,224,537	49.1
Meat meal	9,594	8.31	79,720	3.2
Total	--	--	2,494,029	100.0

In the distribution of imports of ingredients for production of protein-rich livestock feed by value, fish meal represents 49.1 percent, oil cake and pellets 47.7 percent, and meat meal 3.2 percent. Imports of fish meal have held steady at about 80,000 tons over the last 4 years, while oil cake and pellets and meat meal have shown a cyclical movement. Imports of oil cake and pellets have tended to decline since 1977, both because of increased production of domestic oilseed and also because of imports of soybeans. Imports of meat meal in 1980 were down 4,500 tons from the previous year.

Processed fruit and vegetable products have a share of 4.4 percent of the total value of imports of processed foods in 1980. The most significant products occurring are these: raisins, concentrated juices, coconut meal, dried vegetables

and vegetables in brine. Imports of raisins amounted to 2,425 tons and a value of 133 million dinars, concentrated juices 4,914 tons and a value of 152 million dinars, coconut meal 1,169 tons and a value of 56 million dinars, dried vegetables 351 tons and a value of 22 million dinars, and vegetables in brine 523 tons and a value of 33 million dinars. The value of these products represents 73.3 percent of the total value of imported processed fruits and vegetables.

The shortage of refined edible oil on the domestic market has led to the importation of oil, which has a share of 15.11 percent in the distribution of imports of food products by value. Imports of edible oil in 1980 amounted to 94,537 tons and a value of 1,848,164,000 dinars. Raw soybean oil and sunflower oil are the most important within the total amounts of edible oil imported, while the other oils are imported mainly to round out assortments on the domestic market. Imports of raw soybean oil, amounting to 75,271 tons, constitute 79.62 percent of the total amounts of edible oil imported, and raw sunflower oil amounted to 10,472 tons, or 11 percent, while all the other oils had a share of 9.38 percent in total amounts of oil imported (olive oil, castor oil, coconut oil and other).

Imports of processed cacao consisted of two products: cacao /pastash/ and cacao butter. The importation of cacao /pastash/ in 1980 was 1,737 tons and 166 million dinars, and that of cacao butter 1,054 tons and 204 million dinars.

The importation of miscellaneous processed foods represents only 9 percent of the total value of imports and for a number of years has stayed within approximately the same amounts except for roasted coffee, which for the first time in 1980 figured among imports with a quantity of 459 tons and a value of 64 million dinars. In 1980 imports of nonedible oils amounted to 3,482 tons, emulsified fats and oils 5,730 tons, and extracts and powders for beverage production 1,021 tons.

Successful development of agricultural production and especially of the production of raw materials which are in short supply--industrial plants, grain, livestock for slaughter, fruit and vegetables--is the principal condition for better utilization of capacity, better supply of the domestic market, reduced imports and augmented exports of food products.

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DATA ON NUMBERS OF LIVESTOCK, JANUARY 1981

Belgrade EKONOMIKA POLJOPRIVREDE in Serbo-Croatian No 4, Apr 81 pp 270-272

[Article by Rade J. Kravic: "Livestock Population as of 15 January 1981, Preliminary Figures"]

[Text] According to figures of the Federal Bureau of Statistics, the livestock population has shown a favorable tendency over the previous year. Continuation of this tendency and achievement of stable livestock production depends upon achieving larger production and establishment of links based on shared income among production, processing and distribution. It is especially important to establish firmer production ties between the public and private sectors, encouraging private farmers to orient their production in this direction as the principal producers in this field.

According to these figures, the total cattle population at the beginning of this year was up 1 percent over the beginning of 1980. This increase resulted from an increase in the number of cattle in the public sector (8 percent), while the cattle population in the private sector remained at the 1980 level. At the same time there was a tendency toward an increase in the number of cows and heifers in calf by about 1 percent both in the total and also on private farms, while the number of cows and heifers in calf on socialized farms remained at the 1980 level. The total number of cattle was down in Bosnia-Hercegovina (2 percent) and Vojvodina (1 percent), while in the rest of the socialist republics and Kosovo there was an increase over last year's population. The largest reduction, both in the total number of cattle and also in the total number of cows and heifers in calf, was in Bosnia-Hercegovina: about 2 percent and 9 percent, respectively, in the public sector and about 2 percent and 1 percent, respectively, in the private sector.

The total number of hogs and the number of hogs on private farms at the beginning of the year increased 5 percent, and the number of socialized farms 6 percent. This increase resulted among other things from an increase both in the total number of sows and gilts in pig on socialized farms (9 percent) and on private farms (4 percent). The largest increase was in Macedonia: 15 percent for the total number of hogs and 12 percent for the number of hogs on private farms, and on private farms in Slovenia (28 percent). However, in Bosnia-Hercegovina there was a tendency for the number of hogs to climb both in the total

(2 percent) and also on farms (5 percent on socialized farms and 1 percent on private farms). A similar tendency was shown by the number of sows and gilts in pig on socialized farms, that is, a declining tendency, in Bosnia-Hercegovina (4 percent) and Serbia proper (2 percent).

The total sheep population and the number of sheep for breeding ranged at the level of the previous year. There was a slight increase of sheep for breeding on private farms (1 percent). The largest increase was in Kosovo, where the total sheep population was 9 percent and the number of sheep for breeding 4 percent, while in all the other republics this number ranged at the level of the previous year, except in Bosnia-Hercegovina and Vojvodina, where there was a slight drop in the total sheep population and the number of sheep for breeding. This tendency toward an increase or reduction in the total sheep population in the republics and autonomous provinces was a function of the movement of the total number of sheep for breeding, especially on private farms.

The total poultry population shows a tendency to increase (about 3 percent). This increase resulted from an increase in the number of poultry on socialized farms (8 percent) and a somewhat smaller increase on private farms (1 percent). The total poultry population dropped in Croatia (6 percent), while it increased in the other socialist republics and provinces.

This trend in the livestock population at the beginning of the year, which is at the level of the previous year, is among other things the result of increased slaughtering of young animals and insufficient correlation between organized fattening and purchasing of livestock. In the distribution of slaughtered animals the largest groups were calves, piglets and lambs, especially on private farms.

Preliminary Figures on the Livestock Population

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricul- tural Or- ganizations	Private Farms	Total	Agricul- tural Or- ganizations	Private Farms
Cattle--Total						
SFRY	5,483	480	5,003	101	108	100
Bosnia-Hercegovina	948	31	917	98	91	88
Montenegro	182	2	180	101	91	101
Croatia	983	175	808	101	109	99
Macedonia	392	21	371	102	108	102
Slovenia	568	66	502	102	111	101
Serbia	2,410	185	2,225	101	109	101
Serbia proper	1,679	121	1,558	101	117	100
Kosovo	397	4	393	107	229	107
Vojvodina	334	60	274	99	93	100

Table (continued)

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricultural Organizations	Private Farms	Total	Agricultural Organizations	Private Farms
Cows and Heifers in Calf						
SFRY	3,127	89	3,038	101	100	101
Bosnia-Herzegovina	658	8	650	99	98	99
Montenegro	116	1	115	102	83	102
Croatia	599	12	587	99	93	99
Macedonia	156	10	146	101	106	101
Slovenia	265	12	253	100	100	100
Serbia	1,333	46	1,287	104	102	104
Serbia proper	994	23	971	104	101	104
Kosovo	212	2	210	109	219	109
Vojvodina	127	21	106	98	98	98
Hogs--Total						
SFRY	7,870	1,521	6,349	105	106	105
Bosnia-Herzegovina	557	90	467	98	95	99
Montenegro	23	6	17	101	97	102
Croatia	1,749	444	1,305	101	104	99
Macedonia	192	85	107	115	118	112
Slovenia	507	165	342	109	128	101
Serbia	4,842	731	4,111	107	103	107
Serbia proper	2,548	200	2,348	105	106	105
Kosovo	58	18	40	104	106	104
Vojvodina	2,236	513	1,723	108	102	110
Sows and Gilts in Pig						
SFRY	1,289	121	1,168	104	109	101
Bosnia-Herzegovina	97	8	89	100	96	100
Montenegro	3	1	2	136	124	142
Croatia	241	26	215	102	103	102
Macedonia	29	11	18	113	126	106
Slovenia	53	16	37	111	140	102
Serbia	866	59	807	104	104	104
Serbia proper	629	14	615	105	98	105
Kosovo	12	2	10	106	101	108
Vojvodina	225	43	182	104	106	104

Table (continued)

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricul- tural Or- ganizations	Private Farms	Total	Agricul- tural Or- ganizations	Private Farms
Sheep--Total						
SFRY	7,388	247	7,141	100	99	100
Bosnia-Hercegovina	1,373	12	1,361	99	63	99
Montenegro	493	3	490	98	100	98
Croatia	729	23	706	100	99	100
Macedonia	2,127	168	1,959	103	102	103
Slovenia	15	0	15	106	578	104
Serbia	2,651	41	2,610	100	105	100
Serbia proper	2,016	19	1,997	99	110	98
Kosovo	358	4	354	109	110	109
Vojvodina	277	18	259	98	99	97
Sheep for Breeding						
SFRY	5,377	176	5,201	100	99	101
Bosnia-Hercegovina	1,011	8	1,003	101	89	101
Montenegro	401	2	399	98	122	98
Croatia	573	18	555	100	106	99
Macedonia	1,433	121	1,312	102	99	103
Slovenia	8	0	8	100	106	100
Serbia	1,951	27	1,924	100	99	100
Serbia proper	1,532	13	1,519	100	101	100
Kosovo	251	3	248	104	96	104
Vojvodina	168	11	157	95	97	95
Horses--Total						
SFRY	580	3	577	94	93	94
Bosnia-Hercegovina	164	1	163	97	88	97
Montenegro	26	0	25	103	143	103
Croatia	96	0	96	86	104	86
Macedonia	95	1	94	99	106	99
Slovenia	18	0	18	97	96	97
Serbia	181	1	180	92	87	92
Serbia-proper	82	0	82	90	112	90
Kosovo	51	0	51	99	115	99
Vojvodina	48	1	47	87	83	87

Table (continued)

Republics and Provinces	In Thousands of Head			Index Number, 1980 = 100		
	Total	Agricul- tural Or- ganizations	Private Farms	Total	Agricul- tural Or- ganizations	Private Farms
Poultry--Total						
SFRY	65,187	24,856	40,331	103	108	101
Bosnia-Herzegovina	8,620	2,808	5,812	109	144	97
Montenegro	657	5	652	102	252	101
Croatia	14,557	6,222	8,335	94	90	97
Macedonia	4,914	2,345	2,569	105	102	107
Slovenia	10,838	9,333	1,505	103	104	98
Serbia	25,601	4,143	21,458	108	145	103
Serbia proper	14,355	2,541	11,814	108	185	99
Kosovo	2,423	244	2,179	113	100	115
Vojvodina	8,823	1,358	7,465	105	110	105

Source: Federal Bureau of Statistics, Communication No 151/81.

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